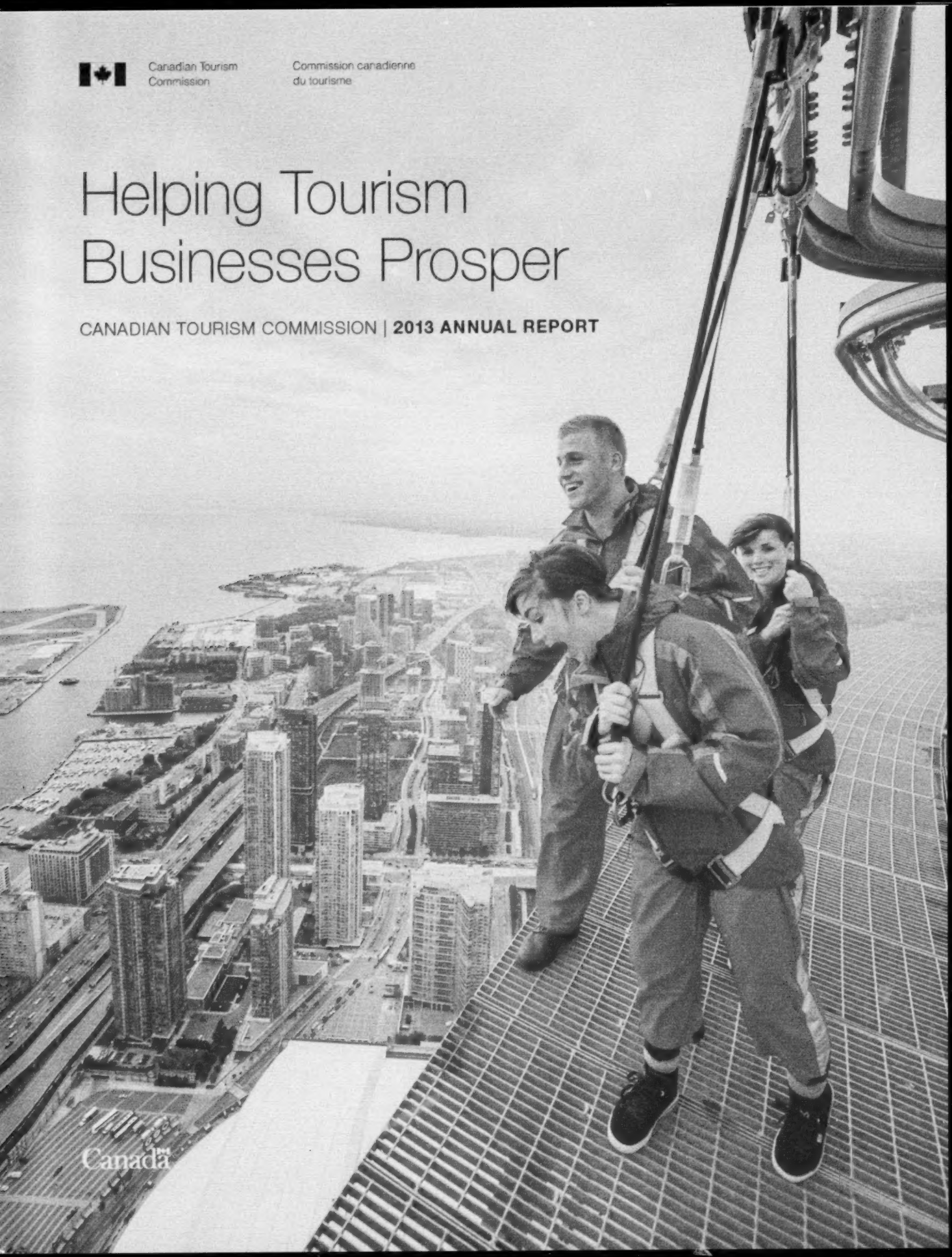
Canadian Tourism Commission

Commission canadienne du tourisme

Helping Tourism Businesses Prosper

CANADIAN TOURISM COMMISSION | **2013 ANNUAL REPORT**



2013 CTC Highlights

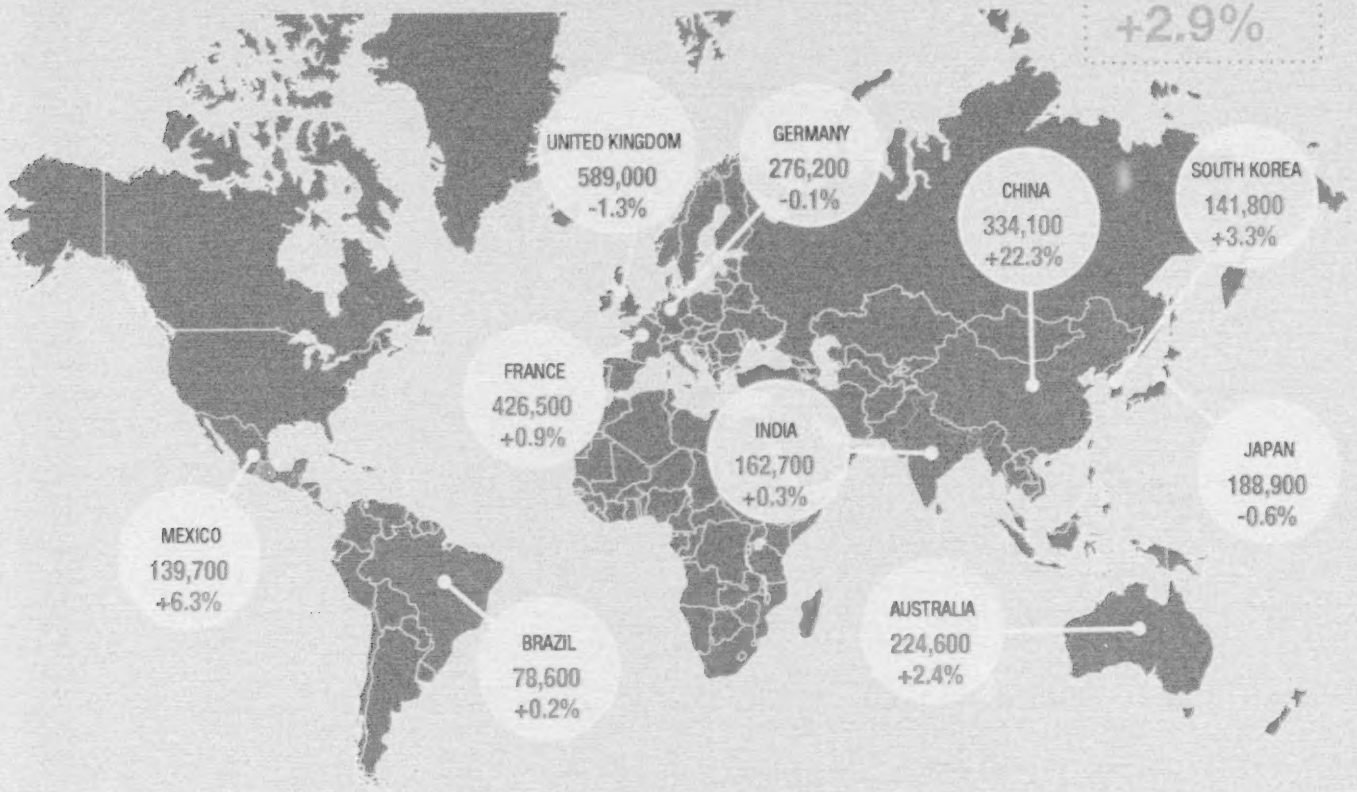
2.9%	Increase in the number of arrivals to Canada from the CTC's 10 leisure markets in 2013
398,000	The number of travellers the CTC inspired to visit Canada in 2013 through its consumer advertising and travel trade partnerships
4.6%	Increase in the amount of revenue to the Canadian tourism economy directly through CTC's marketing efforts in 2013
$545 million	The contribution to Canada's tourism economy directly through the CTC's marketing efforts
$48 million	How much the CTC's partners contributed to our marketing activities and events
0.8:1	The contribution of our partners
92%	Our partner's satisfaction of our work
618,300	Number of jobs in the tourism industry
4,416	Number of tourism jobs created or sustained by travel generated directly through CTC's marketing efforts
$72 million	Amount of federal tax revenue generated by CTC's activities, paying back the Government of Canada's investment by a ratio of 1.2:1
#2	Canada's country brand rank by *FutureBrand*
$120 million	Revenue generated by the CTC's Business Events Canada in attracting meetings, conventions and business travel

VISITORS TO CANADA

The CTC invested in 12 international markets, including 10 leisure markets: The United Kingdom (UK), Germany, France, Mexico, Japan, China, South Korea, Australia, India and Brazil. In 2013, these 10 markets accounted for approximately 60% of international overnight travel to Canada and 61% of all international tourism receipts.

WHERE DID THEY COME FROM? (NUMBER OF OVERNIGHT VISITORS)

TOTAL
2.56M
+2.9%



HOW MUCH DID THEY SPEND? (Total revenue by visitor spend in Canada from 10 CTC markets ($ millions)

CTC LEISURE MARKETS

TOTAL
$3.84B
+4.6%

BUSINESS EVENTS CANADA

KEEP EXPLORING

The CTC also works to generate business events in five markets: Belgium, France, Germany, the UK and the US.

TOTAL
$120M
IN REVENUE
IN 2013

About the CTC

OUR MISSION

To harness Canada's collective voice to grow tourism export revenue

OUR VISION

To inspire the world to explore Canada

OUR GOAL

To grow tourism export revenue for Canada in markets offering the highest return and where the Canada brand leads

OUR LEISURE MARKETS

Australia, Brazil, China, France, Germany, India, Japan, Mexico, South Korea and the UK

OUR BUSINESS EVENTS MARKETS

Belgium (Brussels), France, Germany, the UK and the US

The Canadian Tourism Commission (CTC) is Canada's national tourism marketing organization. A federal Crown Corporation of the Government of Canada, we lead the Canadian tourism industry in marketing Canada as a premier, four-season tourism destination where travellers can enjoy extraordinary experiences. We provide a consistent voice for Canada in the international tourism marketplace.

As tourism is one of the world's fastest-growing sectors, it is strategically important for Canada to generate export revenues that provide new dollars to the Canadian economy. Through effective tourism marketing and promotions supported by aligned market research, we help to create jobs and generate wealth for Canadians by stimulating demand for Canada's export visitor economy.

The CTC is a public-private partnership working in collaboration with the Canadian private sector, international travel trade, meeting professionals, marketing organizations, and governments at all levels to position Canada as a place where travellers and meeting delegates can create their own unique experiences. We promote Canada's extraordinary experiences in 12 countries around the world. We also conduct market research, offer stunning visuals through the Brand Canada Library and provide resources to help industry leverage Canada's successful tourism brand, *Canada. Keep Exploring*.

Through a targeted, focused approach to marketing, we develop and implement strategies that are relevant to customers' individual needs and the personal experiences that they are seeking in their travel destinations. Our regional hub structure allows us to be nimble and opportunistic—easily able to adjust our marketing programs to reflect changing market conditions and to capitalize on new marketing opportunities as they arise.

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This Annual Report reports against the objectives set in the CTC's 2013-2017 Corporate Plan and showcases key activities and initiatives undertaken throughout 2013. The Annual Report serves as the principal mechanism for the Canadian Tourism Commission to report to the Parliament of Canada and demonstrate the results achieved with public resources.

Newfoundland and Labrador

Message from the Chair of the Board

"If you want to go fast, go alone; if you want to go far, go together" is a traditional saying, and a powerful message to consider in today's busy world where we all may be striving to achieve individual dreams, and goals.

I'm always proud as the CTC's Chair to talk about the accomplishments of the organization and the great contribution the CTC makes to helping businesses prosper. This year I am particularly pleased to recognize the tremendous value of public-private partnerships for our organization and for the industry as a whole.

I am proud of the power of our collective marketing dollars. I am pleased that partners have contributed nearly $48 million to bolster our joint marketing efforts, and 92% are highly satisfied with the CTC - a number which keeps going up year to year. This to me means that partners are benefiting from the resources and collaboration the CTC platforms provide and I am pleased to note that 81% of partners plan to partner again. The Canadian tourism industry is vital to the social and cultural identity of Canada, above and beyond its important contribution to the economy and the well-being of Canadians, so I would like to thank each and every private sector industry partner, and public sector partner, small and large, who worked with the CTC in 2013 and made our voice stronger in the global marketplace.

The CTC's leisure marketing campaigns and business event sales activities in 2013 were successful, inspiring more than 398,000 visitors to explore Canada and spend more than $545 million. I am confident in the competitive clout achieved when we align our strategies. Successful campaigns are made that much bigger and brighter by a hotel chain, an airline, a province, or a city; and of course, the economic returns for our industry that stem from partnerships. For all of us it really comes down to doing the best possible job of sharing this wonderful country with the world by going far together, and inviting the world to come in.

In 2013, the CTC said farewell to Michele McKenzie, President & CEO for 10 years. Under her leadership, the CTC has been transformed into a model national tourism organization, and we all owe her our gratitude. I am also confident that, under the interim leadership of Greg Klassen and the rest of the Senior Management team and staff, the CTC will continue to deliver the value for industry as they have in 2013.

I'd also like to thank Montie Brewer who retired from our Board as Vice-Chair in 2013 and welcome new Directors who have joined us. We have a dynamic team in place and we will continue to do our part to ensure the CTC's continued excellence in delivering results for Canada's travel industry and helping tourism businesses prosper.

Steve Allan
Chair

Message from the President & CEO (Interim)

"Canada's spectacular beauty attracts visitors from across the globe to every region of our country. These visitors create jobs and sustain local economies. Our Government will continue to work with industry partners to promote Canada as a top destination for tourism."

– Speech from the Throne, October 2013

I'm pleased to invite you to review our results and activities for 2013. I'd like to thank Michele McKenzie, our past President & CEO, who led the CTC over this year and served the tourism industry with such vision and dedication.

We measure what we manage at the CTC so we can maximize the public investment entrusted to us, and operate efficiently and smartly to deliver compelling tourism marketing. I hope you'll agree after reading this year's report that we continue to deliver against this goal.

We know we are privileged to lead Canada's tourism marketing campaigns with one of the world's best brands, but we also know we can never afford to be complacent when more and more countries are competing for travellers.

For that reason, we continue to place a high priority on social media, where travellers not only talk about their Canadian experiences, but turn others onto us as well. The reach is massive – a marketer's dream! Our Instagram following alone quadrupled in 2013, and as the youth demographic explodes in Canada and around the world, you can be sure we're engaging in this space like never before.

Our Business Events Canada (BEC) strategy continues to evolve based on the knowledge that the power of tourism influences business and trade; business events can provide visitors an important first look at Canada, an opportunity to forge valuable relationships, generate new investments and offer future growth opportunities for the country. In 2013 and ongoing, BEC is on a mission to bring in more business to our great cities and stunning convention sites across the country.

Canada's tourism industry is composed of hundreds of thousands of small businesses and we want them to continue to take advantage of our international trade shows, media events, and expert teams on the ground. It's not easy to break into a new market if you don't know the country, and you don't have a foot in the door. The CTC will continue to do its part by providing important platforms for the industry so that businesses have the market access and expertise needed to succeed in the global economy.

Keep exploring.

Greg Klassen
President & CEO (Interim)

2013 Year in Review

In 2013, all major tourism indicators for Canada were positive. The CTC's marketing activities made a significant contribution to Canada's tourism economy.

The CTC is Canada's national destination marketing organization. As a federal Crown corporation wholly-owned by the Government of Canada, the CTC works to contribute to the government's role in creating the conditions in which Canadians and the tourism industry will thrive. We do this by focusing as an organization on four pillars that lay a strong foundation to the benefit of all Canadians: (1) growing the business of tourism; (2) demonstrating value for taxpayer dollars; (3) delivering on our commitment to being an efficient organization; and (4) continuing our track record of leading innovation.

1. Growing the business of tourism

In 2013, all major tourism indicators for Canada, including tourism revenue, GDP, arrivals and employment, increased. In addition, the CTC made a significant contribution to Canada's tourism economy, including increases to attributable tourism export revenue, number of people converted and partner satisfaction. What this means is more airport traffic, hotel room occupancy, attraction receipts and visitors shopping at Canadian businesses and eating at our restaurants.

- ✓ 2.56 million visitors from CTC's 10 leisure markets, an increase of 2.9%.
- ✓ $3.84 billion in total spending from the CTC's ten leisure markets, an increase of 4.6%.
- ✓ $120 million in revenue generated by Business Events Canada.

Growing the business of tourism is a natural and efficient vehicle for driving incremental trade and investment in Canada. New research from Deloitte in 2013 shows that a rise in business or leisure travel between countries can be linked to subsequent increases in export volumes to the visitors' countries.

1% increase in Canadian arrivals	=	$817 million in Canadian exports

* Deloitte Research

In particular, business tourism plays a crucial role in bolstering Canada's international business goals. Business events, including meetings and incentive travel, often provide delegates and visitors with their first look at Canada and present a clear opportunity to forge valuable relationships, generate new investment and offer future growth opportunities for the country.

The CTC's own Business Events Canada (formerly Meetings, Conventions & Incentive Travel) division reflects the growing significance of the meetings industry to Canada's economy. As advocates of Canada being the best place to do business and invest, the division focuses on priority sectors where Canada holds a competitive advantage. They help to foster long-term competitiveness of the tourism sector while creating jobs in Canada.

CTC's partners contributed $47.7 million to the CTC's marketing activities and events

In 2013, the CTC successfully continued its focus on forging partnerships with the tourism industry to enhance Canada's marketing power under a single brand and unified voice. The CTC's partnerships resulted in a contribution ratio of 0.8:1 against our appropriations of $61 million, boosting our collective marketing muscle to $109 million and exceeding our 2013 target of 0.6:1. The CTC was founded on the principle of public/private partnerships and our partners, both government and private sector, are integral in marketing Canada to the world. Our partners tell us they value our international reach and brand leadership.

- ✓ 92% of partners are highly satisfied with the CTC.
- ✓ 87% of partners are highly aligned with the CTC's brand and marketing.
- ✓ 81% of partners stated their intention to partner with the CTC.

2. Demonstrating value for taxpayers dollars

Throughout 2013, the CTC worked hard to increase the flow of international tourism dollars into Canada's economy. Our tourism marketing and promotions effectively stimulated additional revenue growth to benefit tourism businesses, and generated tax revenue and supported jobs for Canadians. In 2013, our international tourism marketing presence is estimated to have:

- ✓ Generated $545 million for Canada's tourism economy.
- ✓ Contributed $72 million towards federal tax revenue.
- ✓ Created or protected over 4,400 tourism jobs.

3. Being an efficient organization

The CTC is also focused on ensuring accountability and efficiency for taxpayers' dollars by being lean and scalable. We maximize market investments and ensure sound performance measurement and evaluation. We conduct operations on the principle of efficiency as a matter of ongoing business, and continuously look to increase our operational efficiency and maximize the allocation of our budget to

programming activities. Our lean and scalable business model allows us to adapt quickly to changing market conditions and leverage new opportunities as they arise.

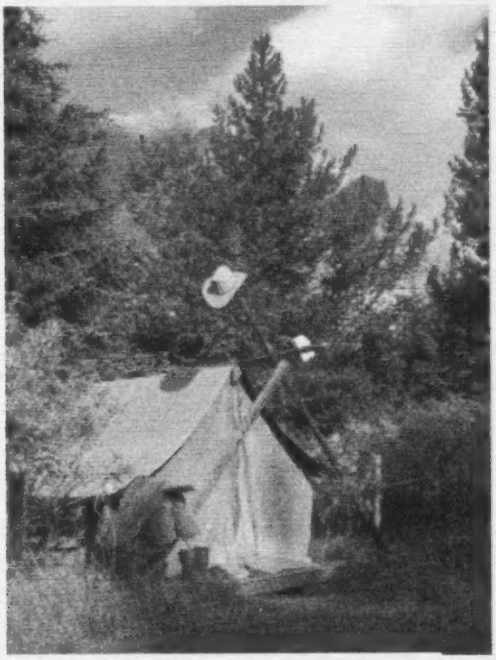
In 2013, we successfully completed the rollout of the new suite of cloud-based systems for internal business functions. These new systems replace expensive, outdated and complex ones, saving us money while providing our staff with the right tools that are easy to use.

4. Track record of leading innovation

In 2013, we have expanded the depth and utility of some of our trademark tools and platforms. The Canadian Signature Experiences (CSE) program is now well-established and shows the world the kinds of authentic and engaging experiences that travellers can enjoy from coast-to-coast-to-coast, and positions Canada as an exciting experiential destination. Our first assessment of CSE partners showed they highly value this platform that markets a collection of remarkable tourism experiences.

We have also extensively deepened the use and reach of social media, inspiring travellers to consider Canada through two-way conversations and compelling content. Our follower reach on Facebook, Twitter, Google+ and Instagram is at an all time high, driving consideration for Canada by engaging our online communities who in turn advocate Canada on our behalf to others.

The 2013 Annual Report reports on the CTC's performance against the objectives set in the 2013-2017 Corporate Plan. Performance measurement on an ongoing basis enables us to assess our progress on fulfilling our strategy and mission, and provides us with the information needed to guide our decision-making processes.



Canadian Signature Experience:
Wilderness Cookouts – Holiday on Horseback
(Warner Guiding and Outfitting Ltd.)
Banff National Park, Alberta
Photo credit: Warner Guiding & Outfitting Ltd.

Canadian Signature Experience:
A Look behind the Curtain – Shaw Festival Theatre
Niagara-on-the-Lake, Ontario
Photo credit: Cosmo Condina Photography

CTC Performance at a Glance

	2012 Result	2013 Target	2013 Result
Tourism Industry Indicators			
Shareholder & Stakeholder			
Tourism export revenue	$16 billion	N/A	$16.4 billion (est.)
Tourism GDP	1.8%	N/A	2.0% (est.)
Tourism employment	602,800	N/A	618,300 (est.)
International tourist receipts from CTC's leisure markets	$3.7 billion	N/A	$3.8 billion (est.)
Average spend per person per night among CTC's leisure markets	$77.79	N/A	$82.90 (est.)
Market share of arrivals from CTC key markets	3%	N/A	3%
CTC Performance Measures			
Financial			
GOAL: Grow tourism export revenue for Canada in markets of highest return and where the Canada brand leads			
Attributable tourism export revenue from direct-to-consumer advertising	$607 million	$423.9 million	$383.5 million[1]
Attributable tourism export revenue from travel trade promotions	$36 million	$64 million	$41.7 million
Attributable tourism export revenue from BEC (MC&IT) sales activities	$44 million	$60 million	$119.8 million[2]
Attributable tourism export revenue	$687 million	$547.9 million	$545.0 million
Attributable jobs created and/or maintained	5,073	4,439	4,416
Attributable federal tax revenue	$90 million	$72.6 million	$72.2 million
Customer			
Objective 1: Generate demand for Canada's visitor economy			
Marketing campaign ROI	56 : 1	37 : 1	38 : 1
Number of people converted (direct-to-consumer)	408,700	282,768	259,900[1]
Operations			
Objective 2: Execute effective sales and marketing platforms to help Canadian businesses sell Canada now			
Partner brand alignment	N/A	65%	87%
Partner satisfaction	N/A	80%	92%
International demand for experiences in CSE (SEC) program	N/A	Benchmark	6%
CSE (SEC) member alignment	N/A	Benchmark	91%
Partner contribution	0.8 : 1	0.6 : 1	0.8 : 1
Priority 1: Link sales and marketing plans to business insights and market research			
Aided destination awareness	28%	27%	30%
Aided destination interest	77%	74%	80%
Priority 2: Enhance fundamentals that position Canada's tourism industry for growth			
Country brand rank	2	Top 5	2[3]
Priority 3: Advance corporate excellence and efficiency			
Systems effectiveness	N/A	65%	59%
Proportion of total budget allocated to programming	72%	≥ 66%	67%
Learning & Growth			
Priority 3: Advance corporate excellence and efficiency			
Core values index	66%	70%	79%[4]
Employee engagement index	74%	65%	74%[5]

[1] Based on aggregate of 2012 long-term conversion results and 2013 short-term conversion results. See explanatory note on following page.
[2] Result reflects change in data collection methodology.
[3] Result spans the 2012-2013 period.
[4] Result reflects change in data collection methodology and assessment on updated values.
[5] Data collection for this measure has been shifted to biennially beginning in 2013, so the 2012 result has been carried forward.

How we measure results

Since 2008, the CTC has been using the Balanced Scorecard (BSC) as our performance measurement framework. This strategy management tool links objectives, performance measures and targets to our strategy at all levels, and integrates financial with non-financial measures to provide a holistic view of our overall performance. Assessing performance through five different perspectives (Shareholder & Stakeholder, Customer, Financial, Operations, and Learning & Growth) enables us to maximize our potential to grow tourism export revenue for Canada.

Industry indicators are included for the purposes of monitoring the overall health of the industry and reflect the combined efforts of all members of the industry. However, we do not set CTC targets for these measures, only for CTC specific performance.

Over the years our approach to setting targets and measuring results evolves, particularly as best practices change, systems are improved and information available is more robust. Two notable changes in methodology in 2013 are summarized below.

Change in Methodology for Measuring Direct-to-Consumer Advertising

As noted in the 2012 Annual Report and 2013 Corporate Plan, a 2011 review of the methodology used to measure the impact of our direct-to-consumer advertising revealed potential areas of improvement. One of the improvements implemented was changing the timing of the evaluation studies to be more reflective of a complete 12-month planning cycle. Measurement experts recommended increasing the time delay between the campaigns and the ad evaluation studies to provide sufficient time for people in long-haul markets to plan and make their trips, allowing us to better measure the actual impacts of our campaigns. From 2012 onwards, a two-phase study is conducted to measure both the short-term and longer-term conversion results. For results in the Annual Report, the total short term travel from 2013, plus long term travel from 2012 is reported. This methodology is more consistent with the natural travel planning cycle and is the recommended approach by measurement experts.

In 2012, advertising tracking and conversion studies were conducted in the markets of Brazil, Germany, South Korea and the UK. In 2013, studies were conducted in the markets of China, France, Germany, Mexico and the UK. As noted in the 2012 Annual Report, the conversion study in Australia will take place in 2014 due to the timing of the campaign. Therefore, the 2013 conversion result for Australia has been extrapolated from the 2012 result.

Change in Methodology for Measuring Business Events

With the implementation of our new systems project in late 2012, our ability to count the value of the activities in 2013 changed to capture a more realistic total. In prior years, the value of contracts that were signed in a given year could only be based on leads that were generated in the same year. Under our new system, the value of business events (meetings and conventions) that are confirmed as "definite" is now based on contracts that are signed in a given year, regardless of the year in which the lead was actually generated. Recognizing the common practice for the bookings of meetings and conventions to be a multi-year process, the CTC can now report the full breadth of the economic value generated through booked business events. The 2013 result of $120 million in attributable tourism export revenue from BEC sales activities is reflective of this new approach. Under the previous approach, the value of attributable tourism export revenue for BEC sales activities would have been $39 million.

While the methodology to account for booked business events in Canada changed in 2013, the target set in 2012 did not. Knowing that there would be a change in methodology that would yield a higher number, the CTC set the 2013 target based on the highest result attained over past years. In retrospect, the 2013 target for attributable tourism export revenue for BEC sales activities should have been noted as "Benchmark".

Enterprise Balanced Scorecard Measure Definitions

Tourism export revenue
Total spend by foreign visitors on Canadian-produced tourism goods and services. Purchases may take place outside of Canada if a Canadian company supplies the goods or services (e.g. purchase of an airline ticket from a Canadian international carrier for travel to Canada). Source: National Tourism Indicators, Statistics Canada.

Tourism GDP
Unduplicated value of production, within the boundaries of a region, of goods and services purchased by tourists, represented as a share of total GDP. Source: National Tourism Indicators, Statistics Canada.

Tourism employment
Number of jobs generated, directly or indirectly, by tourism spending based on an estimate of jobs rather than "hours of work." Thus, someone who works 10 hours a week counts for as much, by this measure, as someone who works 50 hours a week. Source: National Tourism Indicators, Statistics Canada.

International tourist receipts from CTC's leisure markets
Total spend by visitors from CTC's leisure markets on Canadian-produced tourism goods and services during stays of at least one night. Purchases may take place outside of Canada if a Canadian company supplies the goods or services (e.g. purchase of an airline ticket from a Canadian international carrier for travel to Canada). Source: International Travel Survey, Statistics Canada.

Average spend per person per night among CTC's leisure markets
Measure of yield achieved from inbound visitors from CTC's leisure markets, based on total trip spend and the number of nights spent in Canada.

Market share of arrivals from CTC markets
Canada's share of long haul trip (based on arrivals data) from CTC markets, including the US. Source: Tourism Decision Metrics, Tourism Economics.

Attributable tourism export revenue from direct-to-consumer advertising
Estimated attributable tourism export revenue for Canada, generated as a direct result of CTC's direct-to-consumer activities.

Attributable tourism export revenue from travel trade promotions
Estimated attributable tourism export revenue for Canada generated as a direct result of CTC's travel trade promotions.

Attributable tourism export revenue from BEC (MC&IT) sales activities
Estimated attributable tourism export revenue for Canada generated as a direct result of CTC's BEC (MC&IT) leads conversion into definite business.

Attributable tourism export revenue
Estimated attributable tourism export revenue for Canada generated as a result of CTC's direct-to-consumer advertising, travel trade promotions and BEC sales activities.

Attributable jobs created and/or maintained
Estimated attributable employment from tourism revenue generated as a result of CTC's direct-to-consumer advertising, travel trade promotions and BEC sales activities.

Attributable federal tax revenue
Estimated attributable federal tax revenue generated by CTC's direct-to-consumer advertising, travel trade promotions and BEC sales activities.

Marketing campaign ROI
Value of tourist receipts generated by CTC's direct-to-consumer marketing campaigns per dollar spent to execute the campaign. This form of conversion counts those individuals who were considering travelling to Canada but had not yet booked a trip prior to being exposed to the campaign, and were positively influenced to visit or book a trip to Canada upon seeing the advertising.

Number of people converted
Number of people who converted as a result of CTC's direct-to-consumer marketing campaigns over those who recalled the CTC core campaigns. Calculated as the proportion of travellers who recalled seeing the advertising against the size of the long-haul population, aged 18 and over.

Partner brand alignment
Percentage of partners who have aligned with at least one element of the CTC brand: visual identity (e.g. logo, colour palette, typography, pattern bar graphics); tone and writing style; experiential photography style; and/or assets (video, text, social media). Source: CTC's Biennial Partner Survey.

Partner satisfaction
Percentage of partners who are satisfied with their relationship with the CTC. Source: CTC's Biennial Partner Survey.

International demand for experiences in CSE program
The average growth in revenue experienced by members in the CSE program. Source: CTC's Biennial Partner Survey.

CSE (SEC) member alignment
Percentage of CSE members who have aligned with at least one element of the CTC brand: visual identity (e.g. logo, colour palette, typography, pattern bar graphics); tone and writing style; experiential photography style; and/or assets (video, text, social media). Source: Biennial Partner Survey.

Partner contribution
Ratio of total partner contributions (cash, in-kind, parallel, 3rd party) versus CTC investment (parliamentary appropriations).

Aided destination awareness
Percentage of long-haul travellers in CTC markets who rate their knowledge of vacation opportunities in Canada as "excellent" or "very good" after having been prompted with a set of pre-determined destinations.

Aided destination interest
Percentage of long-haul travellers in CTC markets who are somewhat or very interested in visiting Canada in the next two years when prompted about Canada among a set of competitive destinations.

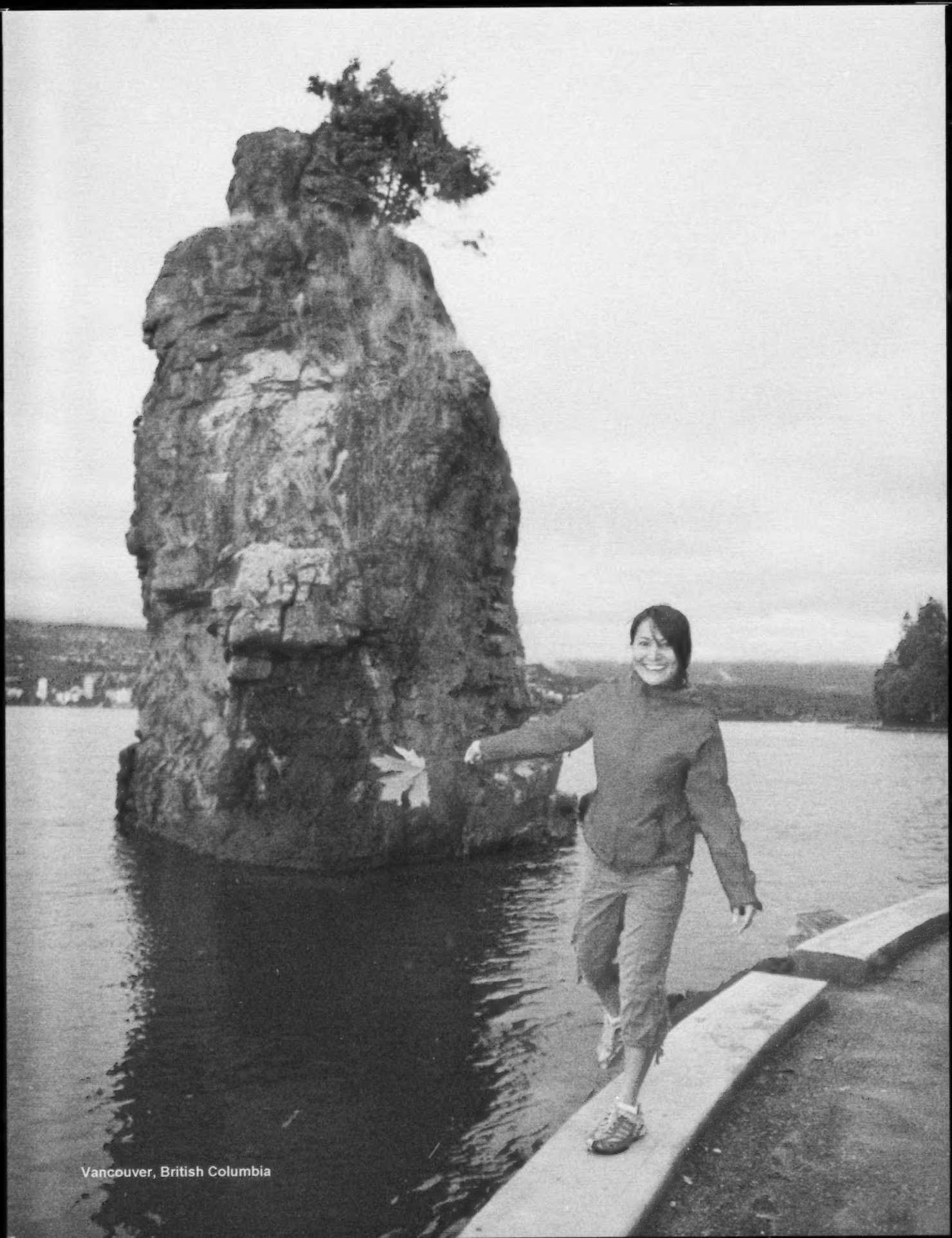
Country brand rank
Annual rank of country brands, according to FutureBrand's Country Brand Index. The approach uses a global quantitative survey, expert opinions and external statistics which are compared and combined to better understand drivers, preference, importance and relativism of country brands.

Systems effectiveness
Employee satisfaction with the support provided by applicable IT applications. Source: CTC Systems Survey.

Proportion of total budget allocated to programming
Percentage of CTC's total budget, exclusive of partner contributions, allocated to programming (excludes overhead costs, operating expenditures and compensation).

Core values index
Index measure of how CTC effectively demonstrates its core values of: Collaborate to Achieve Common Goals; Be Creative and Seek Opportunities to Innovate; and, Act with Integrity. Source: CTC Core Values Survey.

Employee engagement index
Index measure of employees' belief in CTC's mission and vision, and their commitment to CTC as demonstrated through their hard work, passion and organizational pride. Source: CTC Employee Survey.



Vancouver, British Columbia

2013 Tourism Performance

The Canadian Tourism Industry

Tourism Industry Indicator	2012 Results	2013 Results
Tourism export revenue	$16 billion	$16.4 billion (est.)
Tourism GDP	1.8%	2% (est.)
Tourism employment	602,800	618,300 (est.)
International tourist receipts from CTC's markets	$3.7 billion	$3.8 billion (est.)
Average spend per person per night among CTC's markets	$77.79	$82.90 (est.)
Market share of arrivals from CTC key markets	3%	3%

Global tourism continues to fuel prosperity

Tourism is a trillion dollar global business that sees tourists spending $3 billion a day. That's $2 million a minute. This industry accounts for one in every 12 jobs worldwide, and has become one of the world's fastest-growing industries. Despite a global economy in low gear, we saw an additional 52 million tourists travel worldwide in 2013, bringing the total number of international overnight travellers to 1.087 billion. This represents a 5% increase over 2012, which is above the 4% long-term trend projected by the United Nations World Tourism Organization.

Tourism plays a significant role in Canada's economy

Canada's tourism industry is a fundamental economic driver, creating jobs and providing support to all levels of government. The industry supports over 618,000 jobs[1] and over 170,000 tourism business establishments[2], and in 2013, generated an estimated $84 billion in tourism revenue.[3] International tourism revenue accounted for $16.4 billion in 2013[4], contributing to make travel Canada's number one service export. In fact, out of 16 categories in 2013, leisure travel accounted for nearly 17.5% of Canada's international trade in services.

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[1] CTC Research Estimate for 2013 based on Statistics Canada's *National Tourism Indicators, Quarterly Estimates*, third quarter, 2013.
[2] CTC Research, A reconciliation between the Tourism Satellite Account and Statistics Canada's Canadian Business Patterns (December 2013) at the establishment level. Canadian Business Patterns methodological changes implemented by Statistics Canada makes the 2013 figures not comparable to previous year's figures
[3] CTC Research Estimate for 2013 based on Statistics Canada's *National Tourism Indicators, Quarterly Estimates*, third quarter, 2013.
[4] Statistics Canada, CANSIM (database), Table 376-0108 – International transactions in services, by category, annual (dollars)

Market Facts

Canada is welcoming more visitors

In 2013, Canada welcomed 16.6 million international overnight visitors from the US and all other markets, up 2% over 2012, largely driven by increased visitation from Asia. Growth from the ten leisure markets where the CTC actively invests also grew, seeing a 2.9% rise, and totalling an incremental 73,000 visitors from those markets to reach a total of 2.56 million visitors. This is attributable to significant growth from emerging markets, including China, Mexico and South Korea. More modest increases were seen from the well-established core markets of France and Australia, with a slight decline from the UK.

With the number of international travellers poised to continue rising significantly, Canada has a tremendous opportunity to seize a sizeable share of the market. We have already seen positive growth in recent years, and the momentum is strong in the latter half of 2013 going into 2014. The CTC will continue to work collaboratively with Canada's tourism industry to inspire travellers to explore Canada.

International visitors are spending more

International overnight visitors spent $16.4 billion during their trips to Canada in 2013, a 2.5% increase over 2012's total of $16 billion. Growth from the CTC's markets was also strong, totaling 4.6% and reaching $3.84 billion.

Travellers to Canada are becoming younger

Overseas arrivals from visitors aged 24 and under surged 24% to represent 20% of the total. France had the highest number of youth travellers (99,500) among the CTC's overseas markets, while Mexico had the highest proportion of travellers aged 24 and under (34%) among all age demographics.

Air capacity is helping fuel growth in Canada

Key drivers for growth include lower oil prices and increased air capacity. In 2013, Canada added over 150,000 seats to the existing capacity. Most of this new capacity was added to service China – over 132,000 seats added. France added 21,000 seats, most from Air France and Air Canada. Mexico added 13,000 seats with AeroMexico into Montreal. Air India cancelled non-stop flight service to Toronto in July 2012, which was reflected in lower visits in 2013 over the first 6 months.

Increasing competition for international tourists

Across the globe, governments at the national and sub-national levels have recognized tourism as a driver for employment, economic performance and infrastructure development, as well as an important source of foreign exchange. Outbound tourism flows have radically been altered with many emerging, exotic destinations challenging the arrivals share of well-established destinations like Canada. Today's travellers are as likely to see persuasive messaging from Turkey, Malaysia, South America or Africa as they are from the UK or France.

Building Prosperity Through Public-Private Partnerships

The CTC was founded on the principle of partnerships, and it is these partnerships that strengthen the Canada brand internationally and intensify the marketing power of Canada, while significantly leveraging the Government of Canada's investment. We plant the idea of 'Canada' to ignite the interest of prospective visitors and give visibility to our Canadian partners to inspire travellers as they narrow their travel options down to the regions, cities and attractions they want to visit. Our partners include regional and destination marketing organizations, governments at all levels, members from the private sector, and international travel trade and meeting professionals.

In 2013, partner contributions to the CTC totaled $47.7 million, boosting our collective marketing muscle to $109 million.

The CTC has three types of partnership arrangements:

- CTC-led marketing or sales campaigns: Directly selling advertising opportunities to our partners; e.g., when partners buy advertising in CTC publications or space at CTC-led events. In 2013, partners invested $9.3 million in these campaigns.

- Partner-led marketing or sales campaigns: Partners lead campaigns to which the CTC contributes a portion. Our partners' investments in these types of initiatives totalled $31.3 million in 2013.

- In-kind partner contributions: Contributions to our marketing or sales campaigns in the form of goods or services rather than finances; e.g. transportation or accommodation costs for CTC-organized media familiarization trips or allowing the CTC to advertise in publications or at events at no cost. In-kind contributions in 2013 were valued at $7.1 million.

These partnerships resulted in a contribution ratio of 0.8 :1 against our appropriations of $61 million, boosting our collective marketing to $109 million and exceeding our target of 0.6:1

Partners rated their satisfaction with the CTC's engagement at 92%.

The high satisfaction rate we achieve on these partnerships reflects the value that the tourism business community and other levels of government gain from our work and demonstrates the continued relevancy of our programs to partners.

One of the CTC's key goals is to forge partnerships with the tourism industry to enhance Canada's marketing power under a single brand and unified voice. The Canadian tourism industry is vital to the social and cultural identity of Canada, above and beyond its contribution to the economy and the well-being of Canadians. It is an industry the CTC and partners are privileged to support.

TOP 10 CTC PARTNERS

2011	2012	2013
China Southern Air Media	APT World Discovery	APT World Discovery
Korean Air	Korean Air (Transport)	Statistics Canada
Statistics Canada	Scenic Tours	Travel Alberta
Scenic Tours	Trailfinders	BC Ministry of Tourism
Trailfinders	Tourism Ontario (OTMP)	Tourism Ontario (OTMP)
Travel Alberta	Travel Alberta	National Geographic
Tourism Ontario (OTMP)	Nine Network	Tourisme Quebec
BC Ministry of Tourism	Statistics Canada	Tourism Vancouver
Tourism Quebec	Tourisme Quebec	Air Canada
RCM Global Trail	BC Ministry of Tourism	Tourism Toronto

Toronto, Ontario

CTC Performance Highlights of 2013

GOAL: Grow tourism export revenue for Canada in markets of highest return and where the Canada brand leads

The ultimate goal of our marketing is to draw more tourism revenue from international travellers into Canada. To achieve this goal, we follow a strategy of focusing on markets where Canada's tourism brand leads and yields the highest return on investment. The markets that we are active in account for nearly 61% of all international arrivals to Canada. By deepening our relationship with high-yield customers — those who stay longer and spend more — we strive to influence their travel decisions and increase Canada's tourism revenue even when arrivals are down. We track the incremental tourism revenue generated from our measured direct-to-consumer advertising campaigns, promotions with our travel trade partners, and confirmed bookings from business events based on a traveller's average trip expenditure for a given market. The table below summarizes the impacts that these activities in 2013 had on incremental revenue for Canada's economy:

Performance measure	Target	Result
Attributable tourism export revenue from direct-to-consumer advertising	$423.9 million	$383.5 million*
Attributable tourism export revenue from travel trade promotions	$64 million	$41.7 million
Attributable tourism export revenue from BEC (MC&IT) sales activities	$60 million	$119.8 million†
Attributable tourism export revenue	$547.9 million	$545 million
Attributable jobs created and/or maintained	4,439	4,416
Attributable federal tax revenue	$72.6 million	$72.2 million

* Based on aggregate of 2012 long-term conversion results and 2013 short-term conversion results.
† Result reflects change in data collection methodology.

Attributable results from CTC's measured marketing activities

Direct-to-consumer advertising: In 2013, we engaged in integrated advertising campaigns using a variety of channels, including television, print, and online. Third-party advertising tracking and conversion studies evaluate the results of our direct-to-consumer marketing efforts. These studies establish an unbiased view of the relationship between advertising expenditures, campaign awareness, and sales that can be conservatively attributed to the marketing program. In 2013, these studies took place in China, France, Germany, Mexico and the UK, and details from each are reported in the market profile section starting on page 24.

The CTC's direct-to-consumer campaigns generated $384 million in tourism revenue for Canada.

In France, Germany, Mexico and the UK, conversion studies indicate that the CTC's direct-to-consumer advertising campaigns generated $383.5 million in tourism revenue by inspiring nearly 260,000 travellers to visit Canada, with each market showing positive gains.

In China, a short-term conversion study was conducted for the first time in this market using the new methodology (described on page 12). Initial results indicate that CTC's campaigns, despite their wide reach and positive effect on intended travel, did not convert any incremental travellers from China in the short term. This could be due to a shortened conversion study period, smaller sample size and possible cultural and language differences in the survey questions. This short-term result had a significant impact on the CTC's performance results, leading the CTC to just fall short of meeting some targets. We are continuing to investigate the reasons for this anomaly. In addition, we expect a more accurate and comprehensive picture of the results will be known once the second phase of the study is conducted in fall of 2014.

Travel trade promotions: The CTC works directly with international travel companies to develop and sell Canada as a vacation destination. Travel agents with a solid understanding of Canada's tourism products are more likely to influence consumers to visit Canada. The CTC engages in key travel trade activities such as working with tour operators to include Canada in their sales offerings, and motivating existing tour operators to add more Canadian product and experiences to their catalogues to increase Canadian shelf space in the supply chain. Our investments in promotional activities with the travel trade result in actual sales of Canadian travel and travel packages to consumers in each of our leisure markets. The CTC's work with travel agents led to the booking of 138,500 trips and generated nearly $42 million in tourism revenue.

The CTC's travel trade promotions booked 138,500 trips to Canada.

Booked business events: Our Business Events Canada (BEC, formerly Meetings, Conventions & Incentive Travel) program is designed to generate opportunities for various private- and public- sector Canadian partners, resulting in the booking of meetings, conventions and incentive travel. Canada's state-of-the-art facilities, high service levels, diverse destinations and distinctive niche product experiences are promoted in key geographic and segment-specific markets to generate new business opportunities away from competing destinations.

In 2011 and 2012, the CTC reported on the economic value of our BEC program for a given year based only on the business events that were booked in that same year. This approach did not take into consideration the more common practice of meetings and conventions bookings being a multi-year process, and therefore, did not count the economic value of events that were booked in a given year for future years. The results measurement process has been refined based on internationally accepted practice and approved by the CTC Board of Directors, and now reports on all business secured

TED
IDEASWORTHSPREADING

Canada welcomes TED

Working as part of a local tourism consortium, BEC helped bring the annual TED Conference to Vancouver, BC, starting in 2014. A big win for Canada's meetings and conventions industry, the conference will welome 1,500 of the world's best business minds and global thought leaders to Canada, promising long-term growth and investment for Canada's business community.

in a given year, regardless of the year when the opportunities materialized. In 2013, the CTC booked meetings and conventions valued at $120 million.

Overview

The following table breaks down the economic impacts of the CTC's three measured marketing activities for 2013.

	Direct-to-consumer advertising*	Travel trade promotions	Booked business events	Total
Converted/booked travellers	259,900	138,500	N/A	398,400
Tourism export revenue	$383.5 million	$41.7 million	$119.8 million†	$545 million
Government tax revenue	$118 million	$13 million	$37 million	$168 million
Federal tax revenue	$51 million	$6 million	$16 million	$72 million
Jobs supported	3,108	338	971	4,416

* Aggregate of 2012 long-term conversion results and 2013 short-term conversion results.
† Result reflects change in data collection methodology.

Ottawa Convention Centre, Ontario

Objective 1: Generate demand for Canada's visitor economy

Performance measure	Target	Result*
Marketing campaign ROI	37 : 1	38 : 1
Number of people converted (direct-to-consumer)	282,768	259,900

* Based on aggregate of 2012 long-term conversion results and 2013 short-term conversion results

The link between effective destination marketing and increased visitation enables us to assess the return in tourism revenue that is generated for every dollar the CTC spends on direct-to-consumer advertising. In 2013, our direct-to-consumer advertising compelled an additional 259,900 travelllers to visit Canada, and returned an estimated $384 million in foreign visitor spending to Canada. The associated return on investment is 38 : 1.

259,900
converted travellers by CTC advertising

The CTC's marketing drives awareness of Canada as a travel destination and the desire to come visit. By engaging in effecive tourism marketing that presents Canada as a compelling destination offering extraordinary traveller experiences, the CTC seeks to advance Canada's competitive position globally by increasing the number of visitors, and more importantly, the total spending, annually from our markets.

$545 million
in attributable tourism export revenue

Specific information regarding activities conducted, travellers converted and revenue generated by CTC activities can be found on the following pages profiling each market.

CTC Market Highlights of 2013

The CTC's marketing activities are spread over 12 international leisure and business markets around the world. **Core Markets** include Australia, France, Germany and the UK. These markets are traditionally highly competitive, higher-volume markets to Canada, show long-term stability and generally have greater awareness of Canada as a vacation destination. **Emerging Markets** include Brazil, China and India. These markets are defined by their international tourism growth and robust long-haul market potential. **Transition Markets** include Japan, Mexico and South Korea which yielded very high levels of visitation in previous years, and which we are working to inspire back. The CTC also runs **Business Events Canada** activities in Belgium, France, Germany, the UK and US to attract lucrative meetings, conventions and incentive travel.

The table below outlines overall visitation and spending for each CTC leisure market in 2013, with CTC attributable leisure results for each market based on direct-to-consumer and travel trade activities.

CORE MARKETS

UK 589,000 travellers $788 million in visitor spending +0.4% in revenue over 2012	The UK is Canada's largest inbound overseas market. Despite positive key indicators – a growing economy, improving consumer confidence and a strengthening British Pound - overnight arrivals to Canada retreated by 1.3%, and remain far short of the peak of 893,900 reached in 2007. However, overall spending was up (tourism receipts up 0.4% over 2012). As Canada saw arrivals from the UK increase in Q3 & Q4 by 2.2%, the CTC anticipates that the economic recovery in the UK will translate into increased travel to Canada in 2014. Through its campaigns and work with travel agents, the CTC effectively converted 91,000 travellers, including 56,000 through the 2013 Spring Campaign (described on the following page).	**CTC LEISURE RESULTS** 91,000 travellers converted $105 million in revenue generated
FRANCE 426,500 travellers $537 million in visitor spending +1.4% in revenue over 2012	France is Canada's third-largest inbound market after the US and the UK. Overnight arrivals from France have grown consistently over the past four years and reached the second highest level since 1996 (0.3% off the record high). The French economy was more resilient than expected, the Euro gained significant purchasing power and consumer confidence improved.	**CTC LEISURE RESULTS** 25,000 travellers converted $16 million in revenue generated
GERMANY 276,200 travellers $421 million in visitor spending +1.0% in revenue over 2012	Canada remains popular with Germans and is currently ranked fourth in long-haul destinations for Germans, attracting some 276,200 visitors in 2013, well off the record reached in 2001 with 330,000. German travel patterns mirrored those of the UK: German overnight arrivals slipped 0.1%, however, revenue remained steady with $421 million spent, a 1.1% growth. Like the UK, arrivals were down (5.2%) in the first 6 months, up (3.3%) in the back half of 2013. The CTC ran a very successful campaign called Upgrade to Canada which contributed to the CTC's overall result in converting 142,000 travellers.	**CTC LEISURE RESULTS** 142,000 travellers converted $209 million in revenue generated

AUSTRALIA 224,600 travellers $398 million in visitor spending +1.2% in revenue over 2012	Arrivals from Australia reached a new record high in 2013 with 224,600 visitors, growing 2.4% which represented an additional 5000 visitors or an estimated $5 million in incremental export revenues.	**CTC LEISURE RESULTS** 62,000 travellers converted $55 million in revenue generated

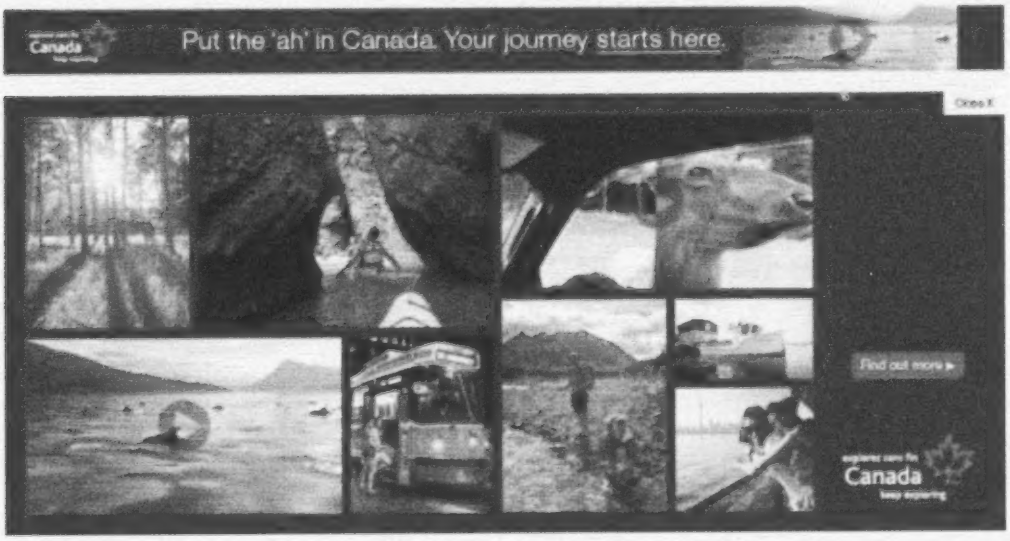
UK 2013 Spring Campaign

The CTC's Keep Exploring spring advertising campaign in the UK promoted relevant Canadian travel experiences and individual regions, provinces and organizations. It consisted of both brand advertising and partner ads, and multiple media channels were used to give Canada its broadest reach and impact across the UK. Alongside interactive internet banner ads and print advertisements, video also played an important role: a featured video ran on cinemas before films to inspire travel. Additionally, new work specifically designed for tablets also helped to drive awareness of Canada.

In total, the integrated campaign generated over 56,000 incremental trips to Canada in 2013 that would not have occurred in its absence, equating to over $74 million in visitor spending to Canada which is directly attributable to the CTC's spring marketing efforts in the UK.

The campaign marked a debut for Aboriginal Tourism BC working with the CTC in Europe. The non-profit organization is promoting Spirit Bear Lodge, a Canadian Signature Experience, among its products.

Other partners with the CTC on the UK campaign were Atlantic Canada Tourism Partnership, Tourisme Québec, Travel Alberta, Ontario Tourism Marketing Partnership Corporation, Destination British Columbia and Air Canada.



EMERGING MARKETS

CHINA 334,100 travellers $603 million in visitor spending +24.2% in revenue over 2012	Arrivals from China reached their highest level yet. China has climbed from the CTC's 6th largest overseas markets to surpass Germany as the 3rd largest market, after the UK and France. Since Canada granted Approved Destination Status by China in June 2010, overnight arrivals from this market have more than doubled, rising from 160,000 visitors to 334,000 visitors. In 2013, overnight arrivals soared by an additional 21.5%, representing an additional 64,000 overnight visitors that injected $115 million into the economy - 850 jobs and over $35 million in tax revenue. In 2013, the Federal Government announced a $42 million package to improve global visa services, which will also help fuel travel from this key market. Preliminary reports from the 2013 conversion study indicate that an estimated 364,000 travellers indicated an intent to visit Canada in the next two years as a result of the CTC's campaigns. The CTC also ran its second year of a very popular television campaign "Canada, You Can be a Star" which had wide reach and ad-equivalency value of over $90 million (detailed on the following page).	**CTC LEISURE RESULTS** Full conversion study pending 7,000 converted travellers from travel trade activities $7 million in revenue generated (from travel trade activities alone)
INDIA 162,700 travellers $171 million in visitor spending -0.8% in revenue over 2012	Arrivals from India reached a new record high, by moving up 0.3% over 2012. A number of factors likely contributed to arrivals dropping by 3.8% in the first half of 2013 – a loss of air capacity, a visa strike, a slowing economy and significant loss of purchasing power resulting from the depreciation of the Indian rupee. However, over the second half of 2013, overnight arrivals from India increased 4.5%, more than making up ground for losses during the first half.	**CTC LEISURE RESULTS** No advertising tracking and conversion study 1,400 travellers converted (from travel trade activities alone) $1 million in revenue generated
BRAZIL 78,600 travellers $160 million in visitor spending +5.2% in revenue over 2012	Brazil is now the world's seventh-largest economy and an increasingly important market for Canada. Arrivals to Canada reached their highest level yet. The strong showing came from leisure travel and education (up 7% and 6.3%, respectively).	**CTC LEISURE RESULTS** 5,000 travellers converted $6 million in revenue generated

China "You Can Be a Star" TV Program

The CTC team in China developed a travel competition television program called "Canada – You Can Be a Star" for telegenic Chinese couples and friends to explore Canada. The program was targeted at the high value independent traveller. The program is now in its second year and has had tremendous reach and results. Thousands of couples applied to win one of five spots to star in a 26-part TV series on China's Travel Channel, as well as share their Canadian experiences via daily blog posts using text, images and videos. Almost all parts of Canada and a large selection of Signature Experiences were featured with hundreds of hours of footage being played on China's Travel Channel, which has a reach of 300 million.

Not surprisingly, the promotion has really caught the Chinese public's attention. The two seasons of the show resulted in 100 million viewers, more than 15 million online views through China's online video streaming channels, and 140 pages of print media.

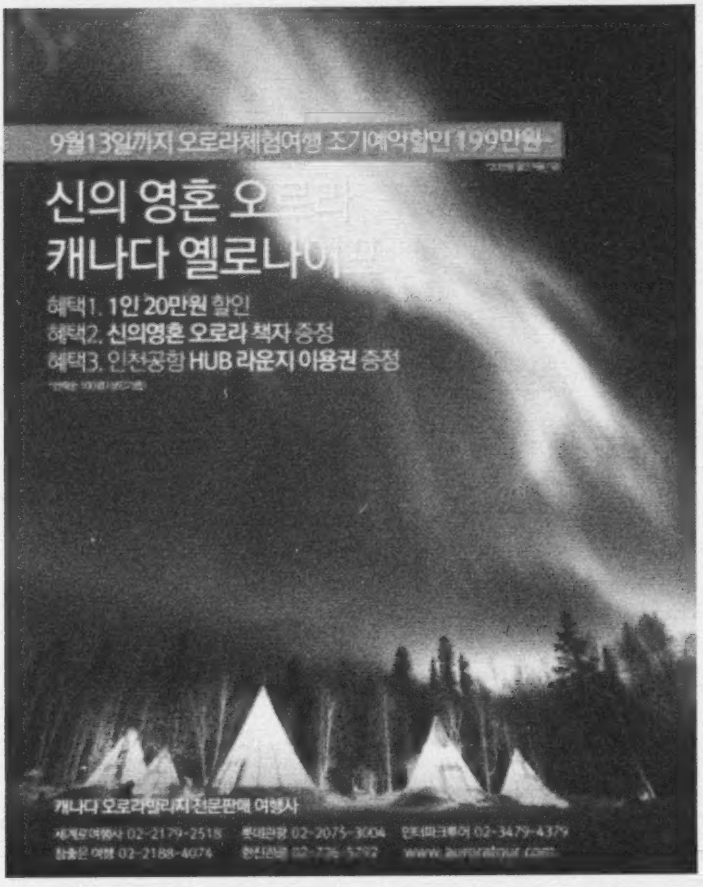
CTC partners for the promotion included Tourisme Québec, Ontario Tourism Marketing Partnership Corporation, Travel Alberta, Tourism British Columbia, Yukon Tourism, Atlantic Provinces, Fairmont Hotels & Resorts, Air Canada, WestJet, Air China, *National Geographic Traveler* magazine and Traveler magazine. Famous travel bloggers from Sina.com in China also covered each trip, while conversations on Chinese social networks Renren, Douban, Sina-Weibo and Wechat also widened exposure. The advertising equivalency value alone has totalled over $90 million.

TRANSITION MARKETS

JAPAN 188,900 travellers $302 million in visitor spending -3.1% in revenue over 2012	Arrivals to Canada from Japan fell by 0.6% in 2013, which represents 1,100 fewer visitors and still off the peak reached in 2002 when 423,000 Japanese visitors came to Canada. Although travel to Canada dipped slightly in 2013, Canada actually outperformed key competitors and showed promising rebound in the second half of the year. Total outbound travel from Japan fell by 5.5% in 2013 and in markets such as Australia, overnight arrivals of Japanese residents into Australia dropped 7.1%.	**CTC LEISURE RESULTS** No advertising tracking and conversion study $4 million in revenue generated (from travel trade activities alone)
MEXICO 139,700 travellers $216 million in visitor spending +10.8% in revenue over 2012	Mexico continues to show positive gains. Arrivals from Mexico grew by 6.3%, representing an additional 9,000 visitors to Canada. Although Canada's visa requirement is still a hindrance to visitation from this market, there has been steady and continued travel recovery from this market, with 20% of the contraction associated with the visa requirement being regained, though arrivals are still off their 2008 peak of 257,200.	**CTC LEISURE RESULTS** 14,000 travellers converted $15 million in revenue generated
SOUTH KOREA 142,000 travellers $247 million in visitor spending +5.8% in revenue over 2012	Supported by an expanding economy, an improved consumer confidence and a strengthening Korean Won, overnight arrivals from Korea improved by 3% in 2013, while revenues increased by 5.8%. The number of arrivals is still off the peak achieved in 2006 with 188,500 visitors.	**CTC LEISURE RESULTS** 18,000 travellers converted $7 million in revenue generated

South Korea Aurora Hunter Campaign

The CTC South Korea team and Aurora Village in Yellowknife, NWT joined forces with a consortium of South Korean tour operators to promote travel to Northwest Territories through a special television program on SBS TV, one of Korea's main television networks. The television program was paired with early-bird promotions offered by the five tour operators. As the documentary program aired, "aurora" became the #1 searched keyword in Korea, leading to nearly 47 million impressions, and over 150,000 clicks and 95,000 new facebook fans on the CTC Korea site.



The results were impressive and contributed to significant growth to this attraction in NWT. Tour operators sold 630 trips from South Korea and saw growth of over 230%, a significant increase for an SME in a remote region.

The promotion also created a buzz among consumers and tour operators with growth in awareness and interest. More tour operators are now selling aurora trips, 15 new companies feature high-end aurora packages, which will lead to even greater growth in 2014 and beyond. While the aurora experience was often the draw, South Korean travellers often paired the trip with other Canadian destinations such as the Rockies, Niagara Falls and Vancouver.

The CTC was able to leverage $219,100 in partnership revenue, toward a CTC investment of $35,000, to obtain these results.

Objective 2: Execute effective sales and marketing platforms to help Canadian businesses sell Canada now

Performance measure	Target	Result
Partner brand alignment	65%	87%
Partner satisfaction	80%	92%
International demand for experiences in CSE (SEC) program	Benchmark	6%
CSE (SEC) member alignment	Benchmark	91%
Partner contribution	0.6 : 1	0.8 : 1

Designing Platforms to support tourism business

We work with the tourism private sector, largely comprising small businesses and entrepreneurs to enable them to efficiently reach lucrative international markets in a much more effective way than on their own. We provide a wide range of platforms through which the tourism business community can gain exposure in overseas markets including direct-to-consumer advertising channels (broadcast, print, online), media events, and promotions through travel agents and tour operators.

Almost **200**
Canadian Signatures Experiences

One such platform is the Canadian Signature Experiences (CSE) program. Boasting almost 200 Canadian tourism experiences from coast to coast to coast, the collection reflects what our target customers are looking for and gives Canada the edge to stand out in a crowded marketplace. CSE enables tourism businesses featured in the collection to promote their experiences internationally in trade channels and to grow their businesses.

Our first assessment of CSE partners showed they highly value this platform and they reported seeing international demand for their products increase by 6% since joining the platform.

Rendez-vous Canada welcomes over 1,000 Canadian Tourism Businesses

$206 million
in business deals

The CTC-led Rendez-vous Canada (RVC) is another platform which generates millions of dollars for Canada's tourism industry annually. Held in our Nation's Capital Region, RVC in 2013 was the premier international marketplace for tourism and provided a golden opportunity for Canadian industry representatives and international buyers to network and close business deals.

A sell-out show, the 37th annual RVC saw 1,050 Canadian tourism sellers meet with nearly 400 buyers from 22 international markets. Business deals were closed over three days of intensive deal-making, yielding considerable benefits worth an estimated $206 million in tourism business.

Helping Tourism Business Prosper through Partnership

Every year the CTC undertakes a survey of its partners to understand to what extent partners are aligning with CTC's marketing strategy and activities and how much they value CTC's platforms, including events and research products. The results tell a very positive story of the value we bring to partners, both Canadian and international and are further summarized in the tables below.

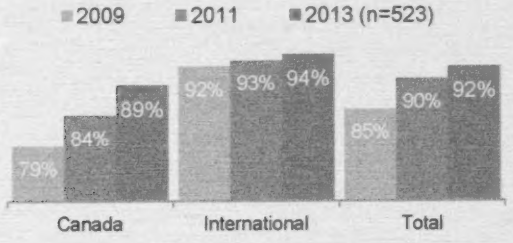
Partners are aligned to the CTC's tourism brand

87% of CTC partners (n=404) stated some alignment with one or more attributes of Canada's tourism brand – up from 82% in 2011 and 62% in 2009.

- Visual identity (*e.g.*, logo, colour palette, typography)
- Tone and writing style
- Photography style
- Assets (video, text, social media)

Partners express huge satisfaction with the CTC

92% of partners were satisfied with their relationship with the CTC, versus 90% in 2011 and 85% in 2009.



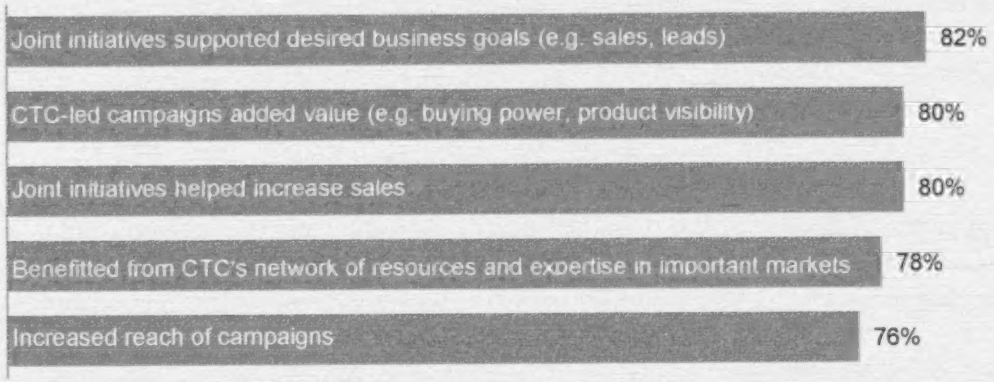
The continuing improvement in satisfaction among Canadian partners is primarily driving the overall increase.

81% of partners are definitely or very likely to partner in the coming year.

Impact on Partners is very positive

The CTC continues to deliver value for partners by collaborating on joint initiatives and campaigns. Partnering with the CTC not only supported their desired business goals but also helped increase sales. CTC-led campaigns added value by increasing reach, buying power and awareness for partners. The CTC is also a source of expertise and helps bring partners together.

How do you benefit from partnering with the CTC?


Joint initiatives supported desired business goals (e.g. sales, leads)
82%
CTC-led campaigns added value (e.g. buying power, product visibility)
80%
Joint initiatives helped increase sales
80%
Benefitted from CTC's network of resources and expertise in important markets
78%
Increased reach of campaigns
76%

% of partners who benefitted from CTC Partnership

Sampling of comments received from partners in our 2013 Partner Survey:

"The CTC is a source of expertise and guidance when we are considering new initiatives"

"Partnering with the CTC has changed our marketing strategy and outreach and the way we market in some markets. Has increased our focus on improving and maximizing our tourism product."

"The CTC acted as a facilitator when issues have arisen to galvanize people into a joint response in a timely manner."

"The CTC helped me to pitch ideas to UK media and achieve sales to our mutual benefit."

Priority 1: Link sales and marketing plans to business insights and market research

Performance measure	Target	Result
Aided destination awareness	27%	30%
Aided destination interest	74%	80%

The CTC uses its foundation of business insights and market research to continually improve its marketing and sales. The creative material deployed in each market is tailored to appeal to each target traveller group, taking into account the most relevant and compelling Canadian travel experiences.

National investment in tourism marketing is proven to generate awareness of Canada, and our research reveals that we are advancing awareness of and interest in visiting Canada.

Tourism Businesses Value Our Business Insights and Market Research

The tourism private sector greatly values the access to global markets afforded by the CTC which many businesses would not reach if working independently. In addition, the strong contributions and high level of satisfaction of our partners are an extremely impressive demonstration of mutual commitment and collaboration.

Over

10,000

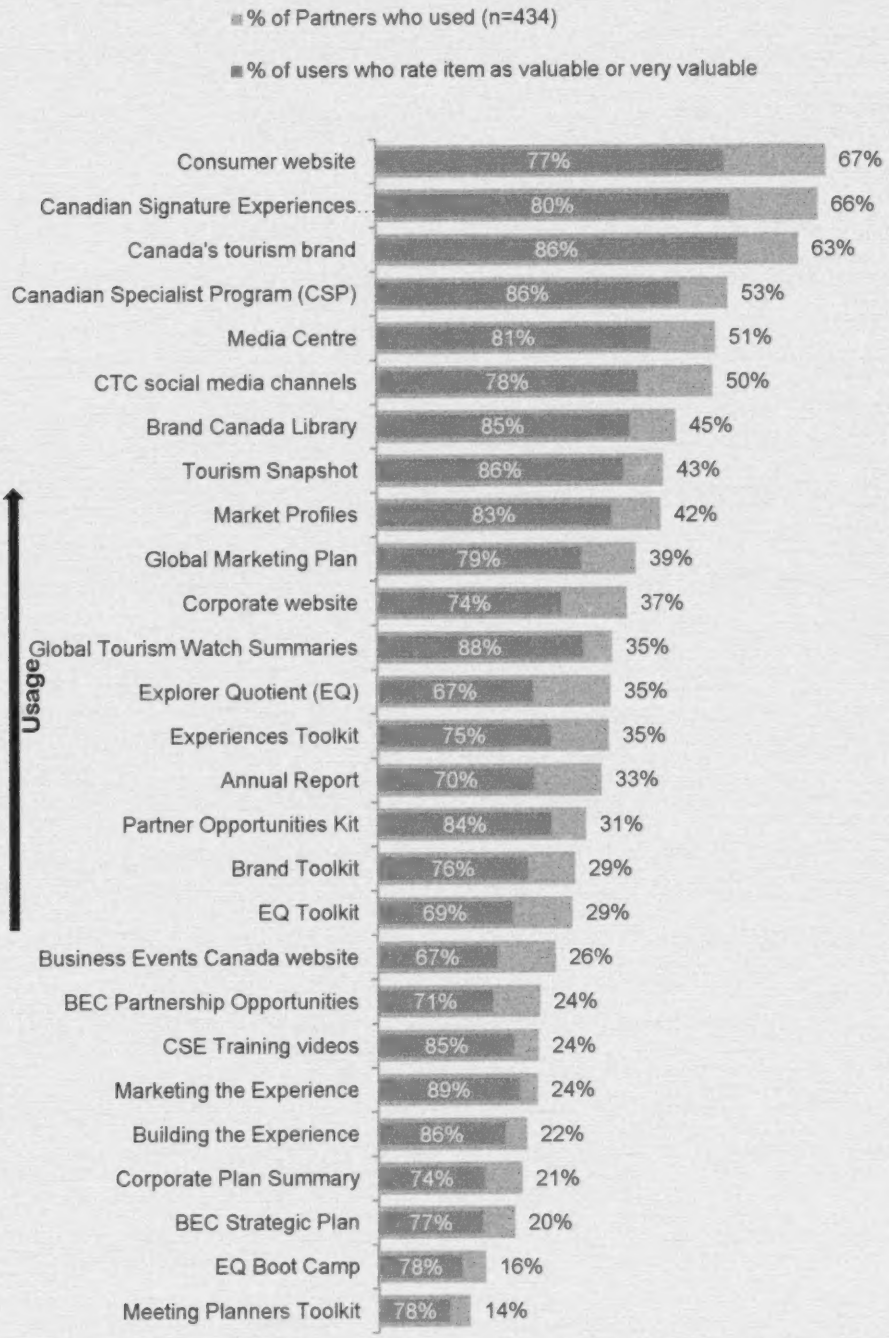
research publication downloads

As a research-based organization, we rely heavily on our market research to inform our campaigns. Similarly, our stakeholders greatly value the market research we provide, including macroeconomic data, traveller profiles and market condition information, to reach out to prospective travellers in pursuit of growing their businesses.

In 2013, 85% of CTC partners who used our research publications found that they were valuable to their businesses. This research helps them to better identify their target customer, inform their strategic planning, and tailor their marketing activities to increase reach and drive sales. Specific valuation of the CTC's key marketing tools and assets by our partners can be found on the following page.

Value of CTC's Marketing Programs and Assets

The CTC's key marketing assets and programs (Brand Canada Library, Canada Specialist Program (CSP), social media channels, Canadian Signature Experiences Collection (CSE), and CTC-managed websites), the Global Marketing Plan and the core research products (Tourism Snapshot, Market Profiles and Global Tourism Watch (GTW) Summaries) are the most used, and often, most valued products. The Partner Opportunities Kit, CSE Training videos and workshops are also highly valued.


% of Partners who used (n=434)
% of users who rate item as valuable or very valuable
Usage
Consumer website 77% 67%
Canadian Signature Experiences... 80% 66%
Canada's tourism brand 86% 63%
Canadian Specialist Program (CSP) 86% 53%
Media Centre 81% 51%
CTC social media channels 78% 50%
Brand Canada Library 85% 45%
Tourism Snapshot 86% 43%
Market Profiles 83% 42%
Global Marketing Plan 79% 39%
Corporate website 74% 37%
Global Tourism Watch Summaries 88% 35%
Explorer Quotient (EQ) 67% 35%
Experiences Toolkit 75% 35%
Annual Report 70% 33%
Partner Opportunities Kit 84% 31%
Brand Toolkit 76% 29%
EQ Toolkit 69% 29%
Business Events Canada website 67% 26%
BEC Partnership Opportunities 71% 24%
CSE Training videos 85% 24%
Marketing the Experience 89% 24%
Building the Experience 86% 22%
Corporate Plan Summary 74% 21%
BEC Strategic Plan 77% 20%
EQ Boot Camp 78% 16%
Meeting Planners Toolkit 78% 14%

Social Media

Social media is a key element of the CTC's overall marketing strategy and ways we build awareness and interest in visiting Canada. An example of our cost-effective approach to marketing is our social media campaigns. By leveraging social media channels such as Facebook, Twitter, YouTube, Instagram and Tumblr, we aim to inspire travellers to consider Canada through advocates' content. Our focus is to be present where travellers are speaking with travellers and support the conversation. This has allowed us to cost-effectively build Canada's tourism brand globally and engage influencers and consumers in two-way dialogue.

The number of CTC Instagram followers has **quadrupled** since the start of 2013.

Instagram Inspiration

The CTC and its provincial partners invited leading Instagram users to Yukon and Alberta to capture images of the nation's landscape and share them with their global network.

This innovative, social media led platform drew visitors from 93 countries, along with 3 million Instagram likes and nearly 40,000 Instagram comments.

Since the beginning of 2013, the number of the CTC's followers on Instagram (ExploreCanada) has risen from 12,000 to 50,000, helping to expand awareness of Canada in the CTC's key markets.

Hangin' out Google+ style

Google+ Hangouts on Air allow for global streaming of live events on YouTube and the Google+ platform.

CTC and global partners showed Canada to the world in a unique and innovative format featuring the "Top 50 Places of a Lifetime: Canada".

A Google+ Hangout featured National Geographic Traveller's Director of Photography, Dan Westergren, on a Photowalk around Toronto's Distillery District, followed by a second Google + Hangout where he walked viewers through the process of choosing the photographs for the "Top 50 Places of a Lifetime: Canada".

This creative campaign:

- saw the CTC's Google+ page visits grow from 500 to 50,000
- Generated 12.5 million Twitter impressions for the #Canada50 campaign hashtag
- And reached 2.2 million people.

Canada

#Alberta1x1

Travel Alberta

@finn

@jaredchambers

@alexstrohl

@laurenepbath

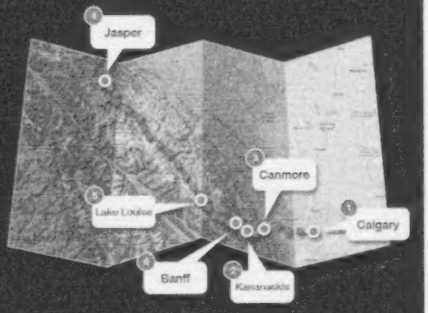
@hirozzzz

@garry_norris

@croyable

7 top Instagrammers flew to Alberta for an adventure of a lifetime

#Alberta1x1 is a 7 day trip with the Instagrammers sharing pictures of their experiences with their followers



243 pictures later ...

39K comments

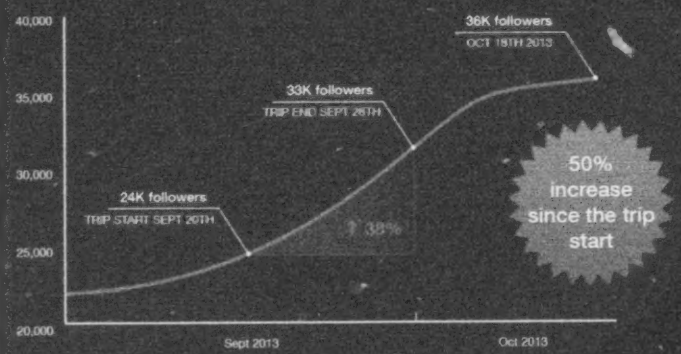
3.2K likes

4:01 min. average

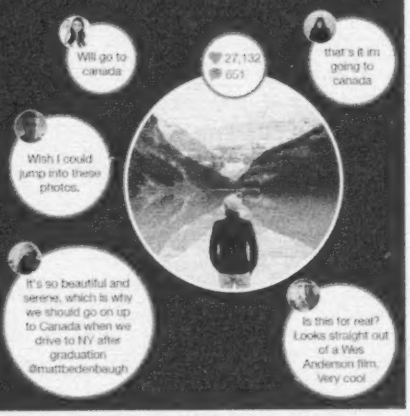
Time spent on the website per visitor. flickr.com average is 2:42 min.

2.3 million likes on Instagram

@ExploreCanada Instagram user base grew by 38%



It generated international buzz, with visitors from over 84 different countries


Will go to canada
27,132
651
that's it im going to canada
Wish I could jump into these photos.
It's so beautiful and serene, which is why we should go on up to Canada when we drive to NY after graduation @mattbedenbaugh
Is this for real? Looks straight out of a Wes Anderson film. Very cool

Supporting Canada's Federal Tourism Strategy by increasing awareness of Canada as premier tourism destination

Launched in 2011, Canada's Federal Tourism Strategy (FTS) is a whole-of-government initiative to help position Canada's tourism sector for long-term growth and competitiveness. The FTS sets out an approach for how the government is working to position Canada's tourism sector to take advantage of international growth opportunities, to increase tourism revenue and to create jobs in Canada.

The CTC, along with some 20 other federal departments and agencies, is working hard to increase Canada's competitiveness by delivering on the commitments set in the FTS to increase awareness of Canada as a premier tourist destination. Key achievements in 2013 include:

The CTC plays a key role in increasing awareness of Canada as a premier tourism destination:

- ✓ 30% of international travellers have knowledge of Canadian vacation opportunities.
- ✓ 80% of travellers are interested in visiting Canada in the next 2 years.

(Source: Global Tourism Watch)

- ✓ Our Canadian Signature Experiences program (CSE) is one of the commitments under the FTS that highlights outstanding Canadian experiences for international travellers, helping to position Canada's tourism industry for success. To date, 191 signature experiences have been identified as part of the collection.

- ✓ In February 2013, the Minister of State for Tourism led a successful mission to India to build on the CTC's work to promote Canada as a destination of choice for Indian travellers and to strengthen bilateral relations with that country. He was accompanied by industry stakeholders representing the Tourism Industry Association of Canada, Festivals and Major Events Canada, Brewster Inc., Fairmont Hotels and Resorts, Raffles and Swissôtels, InterContinental Hotels Group and Air Canada.

- ✓ In the Fall of 2013, the CTC hosted a mega familiarization trip for travel agents, tour operators and travel-trade media from Canada's key international tourism markets – eight days and 220-plus attendees – to expose them to the rich variety of adventure Canada has to offer travellers, so they can be genuine ambassadors for the country and be motivated to recommend Canadian tourism experiences to their clients.

- ✓ The CTC joined National Geographic Travel on the 50 Places of a Lifetime campaign to build emotional connections with Canada.

Priority 2: Enhance fundamentals that position Canada's tourism industry for growth

Performance measure	Target	Result
Country brand rank	Top 5	2*

* Result spans the 2012-2013 period.

The perception of a country's tourism brand is a major influence when choosing where to travel and serves as a critical foundation for our partners to convert visitors to their cities, regions and attractions.

At the heart of our marketing efforts is a compelling tourism brand for Canada, one that reaches out to strike an emotional chord with travellers. The *Canada. Keep Exploring* brand encapsulates the authentic and inviting personality of Canadians, and emphasizes a strong sense of place. It motivates and inspires targeted travellers to see Canada as a place where they can experience something extraordinary.

Canada. Keep Exploring is a key element of Canada's overall country brand by *Future Brand*. Ranking in the top spot in 2010 and 2011, and #2 in 2012-13, Canada's compelling national brand has a unique drawing power – a force that no individual, local or regional marketing effort can match.

Churchill, Manitoba

Priority 3: Advance corporate excellence and efficiency

Performance measure	Target	Result
Systems effectiveness	65%	59%
Proportion of total budget allocated to programming	≥ 66%	67%
Core values index	70%	79%
Employee engagement index	65%	74%*

The CTC conducts operations on the principle of efficiency as a matter of ongoing business. We continuously look to identify opportunities to increase our operational efficiency, allowing us to maximize the allocation of our budget to programming activities. Our lean and scalable business model allows us to adapt quickly to changing market conditions and leverage new opportunities as they arise.

In 2012, operational efficiency gains were attained through the introduction of a new suite of cloud-based systems for internal business functions, and this rollout was completed in 2013. These new systems replace expensive, outdated and complex ones, saving us money while providing our staff with the right tools that are easy to use.

Creative energy and specialized skills anchor our business and marketing acumen. We are committed to attracting, developing and retaining the right talent, and recognize outstanding employee performance. Our core values are a cornerstone of our work at the CTC, and in 2013, we refreshed these values to ensure their relevancy and meaningfulness to staff. Corporate surveys show that resonance with the new values is high, and that employees believe in the CTC's mission and vision, and are committed to the organization.

Priority 4: Pursue youth as a travel segment

The youth market is large, fast-growing and high-spending. The short-term payoff of a youth traveller (aged 18-29) is economic stimulus, while the long-term payoff is repeat visitation. The promise of young travellers is that they will spread positive word of mouth about Canada and return again and again with family and friends. This directly increases our country's wealth and supports a vibrant and profitable tourism industry for generations to come.

In 2013, the CTC began exploring a Youth Travel Program and seed funded the program. The program strives to capitalize on Canada's 150th anniversary celebrations in 2017 in order to foster a movement of Canadian youth to explore their own country. By growing understanding and pride in the country's beauty and diversity, the CTC looks to cement the 2017 year as a memorable one for the youth generation. Post 2017, the legacy of the program would be an inventory of marketing assets and experiences, along with an improved youth travel infrastructure, to leverage when appealing to the international youth traveller.

Although still in the exploratory phase, in 2013 the CTC conducted a number of activities to lay the foundation in this area. It undertook market research to gain additional youth traveller insights and market potential data on the Canadian and international markets, and conducted an assessment of the size and scope of Canadian industry travel products and services suited for this demographic. A youth video for the purposes of industry and trade outreach was created, and a Youth Travel Council with representation from all sectors of the travel industry was established to provide advice to the CTC on its Youth Travel Program.

Awards and Recognition in 2013

The CTC prides itself on inventive marketing, and constantly looks for ways to gain a competitive edge in the global tourism marketplace. The following is a list of various awards presented to the CTC in 2013.

Corporate Awards

Palladium Balanced Scorecard Hall of Fame™
Recognizes organizations around the world that have used the Kaplan-Norton strategy management system to excel in strategy execution and performance management. The CTC is one of only seven Canadian organizations to have been bestowed this prestigious distinction for strategic excellence and executive leadership.

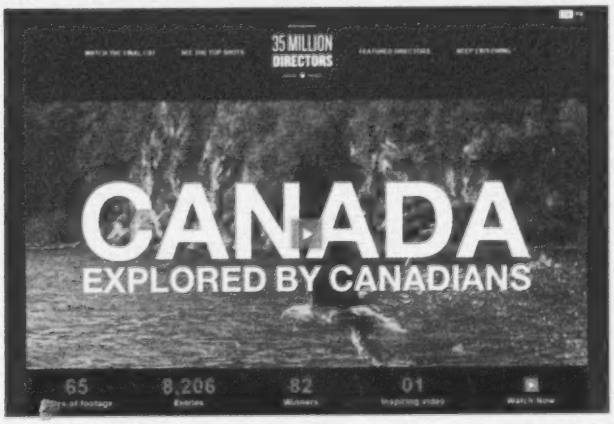
Canadian Government Executive
Leading Management Change Award for exceptional leadership in management practices and strategic planning.

Reputation Institute's Country RepTrak™
Canada ranked as the world's most reputable country for the third straight year.

Marketing Awards

Adrian Awards
Honouring outstanding achievements in advertising, public relations and digital marketing in the international travel industry.

Gold award for advertising for *Canada. Keep Exploring*
Gold award for digital marketing for *Canada. Keep Exploring*
Gold award for "Canada: For the Fun of It"



Canadian Marketing Association Awards
Recognizes the top marketers in Canada for excellence in marketing in any discipline and any sector

Gold award for advertising: consumer services for "35 Million Directors"
Gold award for community engagement: consumer services for "35 Million Directors"
Gold award for digital: consumer services for "35 Million Directors"
Gold award for integrated: consumer services for "35 Million Directors"

Canadian Chamber of Commerce in Mexico
Recognizes excellence in connectivity

Outstanding Business Award to CTC-Mexico

Maekyung Advertising Awards
New Media award for CTC South Korea's spring and "+Canada" campaigns

M&M Global Awards 2013
Recognizes the best in international media

Best Nation & Destination Marketing Campaign for "Upgrade to Canada"

Korea Travel News
Best international tourism organization to CTC-South Korea

Korea Travel Times
True Partner award for the best international tourism organization to CTC-South Korea

Prestige Holidays
Recognizes assistance to tour operators

Best Supporting Tourist Board award to CTC-UK

Outbound Travel Mart, Mumbai
Awards by India's largest travel-trade and consumer show

Best Print Promotion award

CTC Award of Excellence
Masayo Hando, CTC-Japan

Masayo was recognized for empowering individual passion and building inspirational leadership in the workplace. Her efforts to develop innovative projects designed for Japan's media sector have been instrumental in raising Canada's profile in this key market.

CTC Ambassador Award
Nicole Parfitt, CTC-Vancouver

Nicole was recognized for demonstrating the CTC's core values in her day-to-day interactions. Her ability to bring colleagues and teams together was integral in achieving common goals.

CTC Team Excellence Award
Information Technology division, CTC-Vancouver

The Information Technology division was recognized for going above and beyond in ensuring that the CTC meets industry standards and for working tirelessly behind the scenes to deliver what their colleagues need. Their ability to be professional and flexible while performing outstanding work has become a trait synonymous with this team.

Committed to being an organization of excellence.

Corporate Governance

Constitution

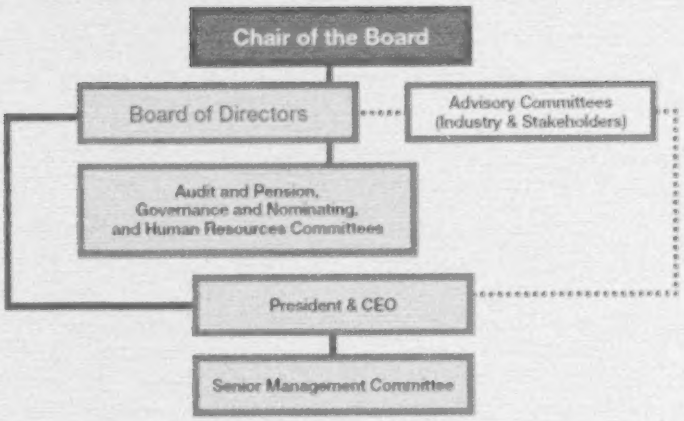
The CTC is a federal Crown corporation wholly owned by the Government of Canada (the "shareholder"). We are accountable to Canada's Parliament through the Minister of Industry. By convention, the Minister of Industry has delegated his duties and power related to the CTC to the Minister of State (Small Business and Tourism). The *Canadian Tourism Commission Act*, the *Financial Administration Act* (FAA) and subsequent regulations provide the legislative basis for the establishment of the CTC and our activities. We are not governed by the *Public Service Employment Act* and are considered a separate employer. However, we are subject to the requirements of several acts, including:

- *Official Languages Act*
- *Privacy Act*
- *Access to Information Act*
- *Canada Human Rights Act*
- *Values and Ethics Code for the Public Sector*
- *Canada Labour Code*
- *Employment Insurance Act*
- *Multiculturalism Act*
- *Employment Equity Act*
- *Federal Accountability Act*
- *Public Servants Disclosure Protection Act*
- *Conflict of Interest Act*
- *Alternative Fuels Act*

The Government of Canada primarily regulates Crown corporations through their enabling legislation and the FAA. We are currently listed under Part I, Schedule III of the FAA, and as such, are required to submit an Annual Report, a five-year Corporate Plan and an Operating Budget to the responsible Minister, and undergo regular audits by the Auditor General of Canada. A Special Examination is mandated under the FAA and a report on the findings must be submitted to the Board of Directors. The next examination will begin in 2014.

2013 Board of Directors

A 12-member Board of Directors oversees the management of the organization and holds management accountable for its performance. The board, which also includes the President & CEO of the CTC, is composed of senior business professionals who possess the experience, competencies and skills required to guide the CTC and help it deliver its strategic goals, seize opportunities and mitigate risks.


Chair of the Board
Board of Directors
Advisory Committees (Industry & Stakeholders)
Audit and Pension, Governance and Nominating, and Human Resources Committees
President & CEO
Senior Management Committee

The Chair of the Board and the President & CEO are appointed by the Governor-in-Council. The remaining directors are appointed by the Minister of Industry with the approval of the Governor-in-Council. The CTC Act names the Deputy Minister of Industry as ex officio director.

The President & CEO is accountable to the Board of Directors for the management and performance of the organization. The Board is accountable to Parliament through the Minister of Industry. The primary vehicles for reporting to the Crown are the Annual Report and the five-year Corporate Plan, a summary of which is tabled annually in Parliament and available on the CTC corporate website at http://en-corporate.canada.travel/about-ctc/corporate-reports.

Steve Allan
Chair of the CTC Board of Directors, Corporate Director and Community Volunteer
Calgary, AB

Montie Brewer
Vice-Chair of the Board of Directors, Independent Airlines/Aviation Professional
Winchester, MA
(until December 2013)

Michele McKenzie
President and CEO,
Canadian Tourism Commission
Vancouver, BC

John Knubley
(ex officio director)
Deputy Minister,
Industry Canada
Ottawa, ON

Scott Allison
Vice-President, Canadian Operations,
Marriott Hotels of Canada
Toronto, ON

Michael Hannan
Group President,
VIAD Travel and Recreation
Banff, AB
(as of June 2013)

David Jovanovic
Corporate Director
Niagara Falls, ON

Dray Matovic
President,
Halex Ventures Inc.
Niagara Falls, ON

Robert Mercure
General Manager,
Fairmont Le Château Frontenac
Quebec City, QC
(as of February 2013)

Alexander Reford
Director,
Les Jardins de Métis Inc.
Grand-Métis, QC

Rod Taylor
Chief Executive Officer,
Waste to Energy Canada
Whitehorse, YK

Rita Tsang
Owner, Chair and Chief Executive Officer,
Tour East Group
Toronto, ON
(as of December 2013)

George Young
Media and Public Relations Professional, Corporate Director
Huntsville, ON

2013 Board Activities

The 2013 Governance Survey showed positive results in all areas.

Board education remains a priority. Two orientation sessions held in February and October 2013 were well attended by new members of the Board of Directors and representatives from industry and government.

The CTC and the Government of Canada continue to collaborate to ensure that appointments to the board are made in a timely fashion and that appointed directors have the skills required by the board. In 2013, three new directors were appointed to the board: in February, Robert Mercure; in June, Michael Hannan; and in December, Rita Tsang.

In 2013, the CTC Board of Directors met five times in person in different regions of the country and once via conference call. Attendance at these meetings averaged 89%.

Committees of the Board of Directors

In 2013, the CTC Board of Directors included the following committees:

Governance & Nominating Committee: The primary purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding recommendations to the Minister on the appointment of board members and the development of the corporate approach to governance issues. The Committee is an "arm" of the board, advising and supporting directors in applying the CTC's corporate governance principles.
Chair: Alexander Reford
Members: Steve Allan, David Jovanovic, George Young

Audit & Pension Committee: In addition to the duties and functions mandated by the *Financial Administration Act*, the Audit and Pension Committee reviews and makes appropriate recommendations to the board on the adequacy of the Commission's processes for identifying and managing risk, its internal control system and its processes for complying with laws and regulations. The Committee oversees the administration, financial reporting and investment activities of the Commission's pension plan.
Chair: Steve Allan (Interim)
Members: Scott Allison, Montie Brewer, Michael Hannan, Dray Matovic

Human Resources Committee: The Human Resources Committee reviews as required the Commission's human resources policies and plans, including succession plans, compensation and benefits plans, and makes recommendations to the board as appropriate.
Chair: Scott Allison
Members: Steve Allan, Robert Mercure, Rod Taylor

Advisory Committees

According to the CTC's corporate bylaws, the Board of Directors may, from time to time, create advisory committees composed of such persons as it may deem necessary to advise it on any matters pertaining to the affairs of the CTC. These committees are officially part of the CTC's governance.

In 2013, there were five CTC Advisory Committees chaired by and comprising tourism industry leaders and experts. The committees take their direction from the board (strategic directions) and advise both the board and the President & CEO. In consultation with the industry, the committees and the staff develop annual and multi-year strategic plans consistent with the board's strategic direction for each program area.

Brand Experiences Committee

Andrew Lind
Vice-President and General Manager
Jonview Canada
Toronto, ON
(until September 2013)

William Knowlton
Vice-President, Marketing and Sales
Jonview Canada
Toronto, ON
(as of September 2013)

Business Events Canada Committee

Patricia Lyall
President & CEO
Destination Halifax
Halifax, NS

Core Markets Committee

David Whitaker
President & CEO
Tourism Toronto
Toronto, ON

Emerging Markets Committee

Mike Ruby
President
Muskoka Language International Inc.
Toronto, ON

Research Committee

Stephen Pearce
Vice-President
Leisure Travel & Destination Management
Tourism Vancouver
Vancouver, BC
(until May 2013)

Malcolm Fraser
President, ISL Web Marketing & Development
Halifax, NS
(as of May 2013)

Youth Travel Council

In 2013, a Youth Travel Council comprising 10 tourism industry members with youth marketing expertise was formed to provide advice to the CTC on its Youth Travel Program. The council's inaugural meeting was held in December 2013.

Alistair McLean
CEO, Hostelling International Canada – Pacific Mountain Region
Vancouver, BC

Consultations and Outreach

The CTC remains committed to reaching out and working with the tourism industry and has mechanisms in place to ensure our engagement with industry, including:

- The provincial/territorial tourism Deputy Ministers' forum meets annually to ensure that all jurisdictions are current on the CTC's activities and have the opportunity to provide input.
- Regular meetings are held with the CTC's destination marketing counterparts of provincial and territorial organizations, as well as with the Destination Marketing Association of Canada, an organization that represents Canadian civic destination marketing.
- Consultations with key industry leaders who are members of the Tourism Export Council.
- Annual meetings with similar national tourism organizations with the objective of establishing best practices and international benchmarks.

2013 Senior Management Committee

Michele McKenzie
President and Chief Executive Officer

Ms. McKenzie joined the CTC in 2004 after serving as Deputy Minister of Tourism, Culture and Heritage for the Province of Nova Scotia. She has held positions on a number of boards including the Nova Scotia Liquor Corporation, the Art Gallery of Nova Scotia and the Nova Scotia Museum. She is a member of the Institute of Corporate Directors, serves on the Board of the Vancouver Community College Foundation, holds a Bachelor's degree in Commercial Recreation/Marketing and conducted MBA studies at Dalhousie University.

Greg Klassen
Senior Vice-President, Marketing Strategy and Communications

Mr. Klassen joined the CTC in 2001 after having worked in marketing with both Telus and AT&T, and having taught marketing at Algonquin College in Ottawa. He was appointed Vice-President of Marketing in 2006 and Senior Vice-President of Marketing Strategy and Communications in 2008. He holds an MBA from Thunderbird, The American Graduate School of International Management and a Bachelor's degree in Economics from the University of Victoria.

Chantal Péan
Senior Vice-President, Corporate Affairs and Corporate Secretary

Ms. Péan joined the CTC in 1991 after having worked in the policy sections of the Department of Natural Resources and Public Works and Government Services Canada. She was instrumental in the transformation of the CTC from a Special Operating Agency to a Crown corporation. Ms. Péan was appointed Senior Vice-President of Corporate Affairs and Corporate Secretary in 2003. She holds a Bachelor of Science degree from the University of Manitoba, and a Bachelor of Law, a Notary Diploma (Droit notarial) and MBA from the University of Ottawa.

Lena Bullock
Vice-President, Finance and Chief Financial Officer

Ms. Bullock joined the CTC in 2005 as Executive Director, Financial Operations, and was appointed Vice-President of Finance and Chief Financial Officer in 2009. She has a Bachelor of Commerce degree from the University of British Columbia and is a Chartered Accountant with extensive experience in the private sector, including work with KPMG, Molson Breweries, Coca Cola Bottling Company and Blast Radius Inc.

Jon Mamela
Vice-President, International

Mr. Mamela joined the CTC in 2013. He received his undergraduate degree in Chemistry from Bethany College in West Virginia, and an MBA in Marketing from Miami University in Oxford, Ohio. His extensive experience in the tourism sector includes positions with Travel Alberta, Fairmont Hotels & Resorts and Four Seasons Hotels & Resorts.

Paul Nursey

Vice-President, Strategy and Corporate Communications

Mr. Nursey joined the CTC in 2006 with over 10 years of tourism management experience, having worked with Rocky Mountaineer Rail Tours, Mount Seymour Resorts and Tourism Vancouver. He was appointed Vice-President of Strategy and Corporate Communications in 2010. He holds degrees in Economics and Regional Planning from Simon Fraser University and a certificate in Executive Development in Tourism from the University of Hawaii at Manoa. He is currently conducting MBA studies at the University of Massachusetts Amherst.

Management Discussion and Analysis

The following Management Discussion and Analysis should be read in conjunction with the financial statements and notes included in this annual report.

Important Accounting Estimates

The CTC's significant accounting policies are described in note 2 of the financial statements. The preparation of financial statements in conformity with Canadian public sector accounting standards ("PSAS") requires management to make estimates and assumptions. The most significant estimates involve the determination of employee future benefits, the useful lives for amortization of tangible capital assets and the fair value of asset retirement obligations.

Corporate planning

The 2013-2017 Corporate Plan Summary established our goal, objectives and priorities for 2013. By focusing our efforts on the strategy below, we worked to achieve our mandate for the benefit of Canada's tourism industry.

Goal:

- Grow tourism export revenues for Canada in markets of highest return and where the Canada brand leads.

Objectives:

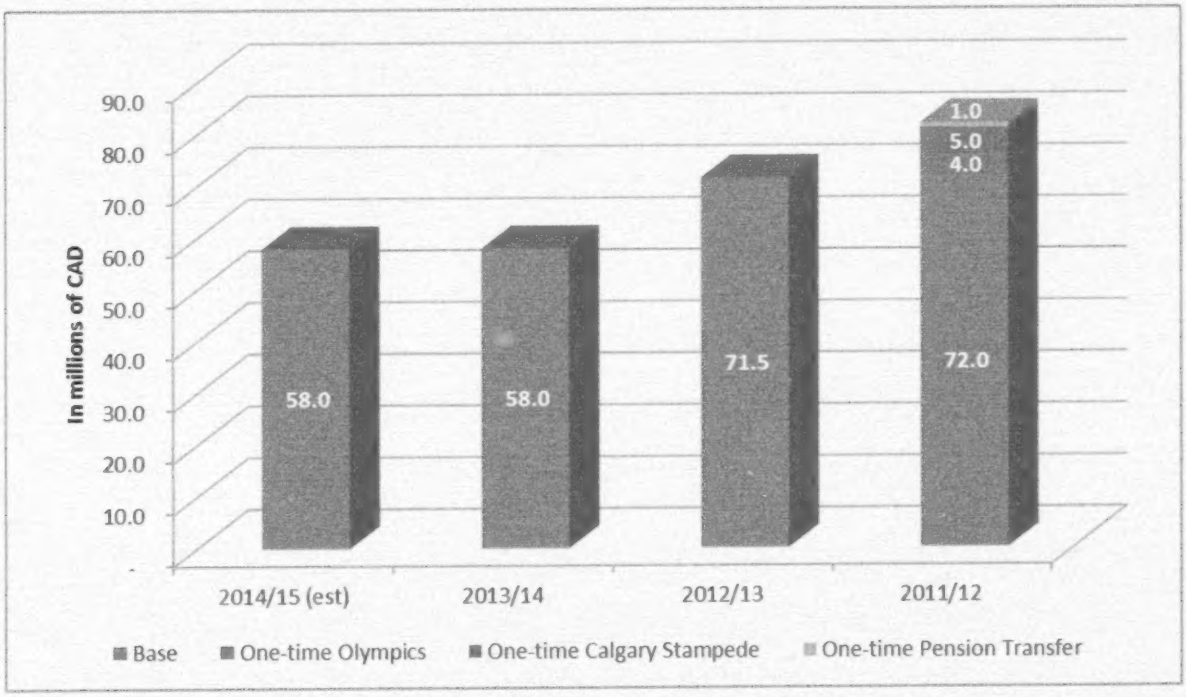
- Generate demand for Canada's visitor economy.
- Execute effective sales and marketing platforms to help Canadian businesses sell Canada now.

Priorities:

- Link sales and marketing to business insights and market research.
- Enhance fundamentals that position Canada's tourism industry for growth.
- Advance corporate excellence and efficiency.
- Pursue youth as a travel segment.

a) Government funding

The CTC receives an annual appropriation from its shareholder, the Government of Canada, and relies on this appropriation to fund the majority of its operating and capital costs. Approved appropriations by government fiscal year are $58.0M for 2013/14 (consisting of $57.8M from main estimates, $140,000 and $3,000 from supplementary estimates B and C respectively, for compensation adjustments) and $71.5M for 2012/13. In past years, the Government of Canada has invested in specific activities by providing one-time funding to the CTC for programs such as the 2010 Olympics, Stimulus and Calgary Stampede. The amounts noted for 2013/14 and 2012/13 government fiscal periods do not include any special funding for one-time activities and reflect only CTC's base appropriations used to fund core activities. Appropriations, both base and one-time, have declined over the past several years and are estimated to be $58.0M for 2014/15, consistent with 2013/14.



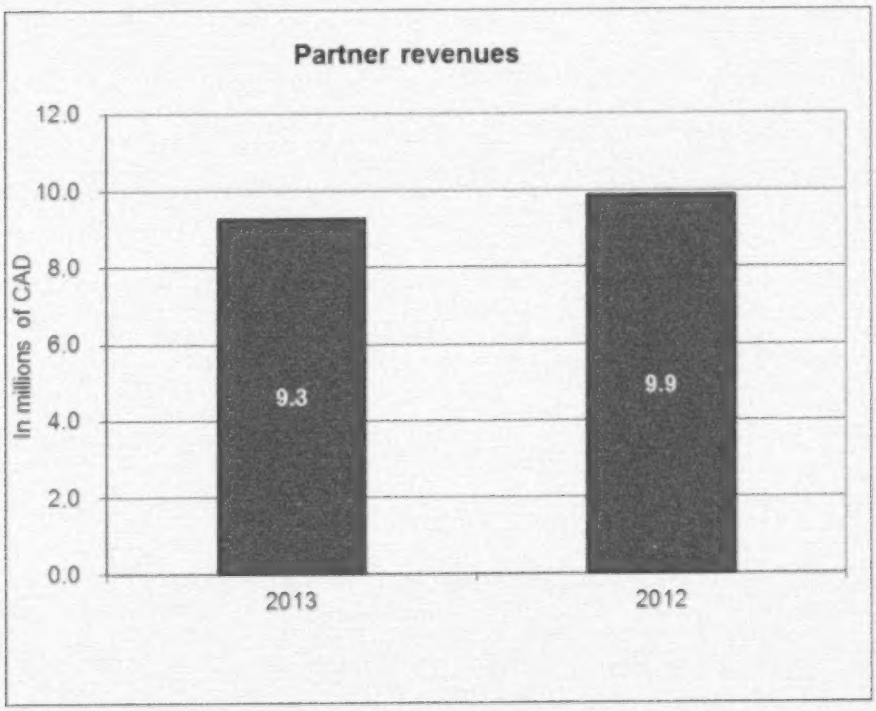
As the CTC has a different fiscal year end from the Government of Canada, in a given fiscal period, the CTC draws appropriations from two government fiscal periods. For the year ended December 31, 2013, the CTC drew down $61.4M of appropriations approved from government fiscal periods 2012/13 ($16.3M) and 2013/14 ($45.1M) (note 9). The amount drawn in 2012 was $75.9M.

Appropriations are recognized in the Statement of Operations and the Statement of Cash Flows in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (note 2a). In 2013, the CTC adopted PS 3410, Government Transfers (note 3). Appropriations used to fund core activities are recognized as income as the appropriations are authorized and any eligibility criteria and/or stipulations are met. There are no eligibility criteria or stipulations for base appropriations and as a result, the opening deferred parliamentary appropriations balance at January 1, 2013, which was related to appropriations for core activities, was immediately recognized as income upon adoption of PS 3410. Total appropriations recognized in the Statement of Operations in 2013 are $63.0M ($77.2M - 2012).

b) Partner revenues

The CTC is committed to partnering with other organizations in the tourism industry, with the dual goals of alignment and maximizing the impact of combined investment dollars. Where CTC manages the partnered programs, partners pay their share of the costs to the CTC ("CTC-led") for specific campaigns and activities. For accounting purposes, only "CTC-led" partner contributions are recognized and reported as partner revenues in our Statement of Operations. In 2013, the CTC recognized $9.3 million of partner revenues, down $600,000 from $9.9 million in 2012. The decline is due to $200,000 of revenues from one-time activities in 2012 (Top Chef Canada and Stampede Centennial) and $645,000 of reduced partner participation in 2013 in marketing promotional activities and programs such as Media Monitoring, Matador, National Geographic and Canada for the Fun of it. This was offset by higher revenues in 2013 from the TED conference partnership.

Page 18 discusses other types of partnership contributions which are used in the determination of the partner contribution ratio, a critical performance metric.

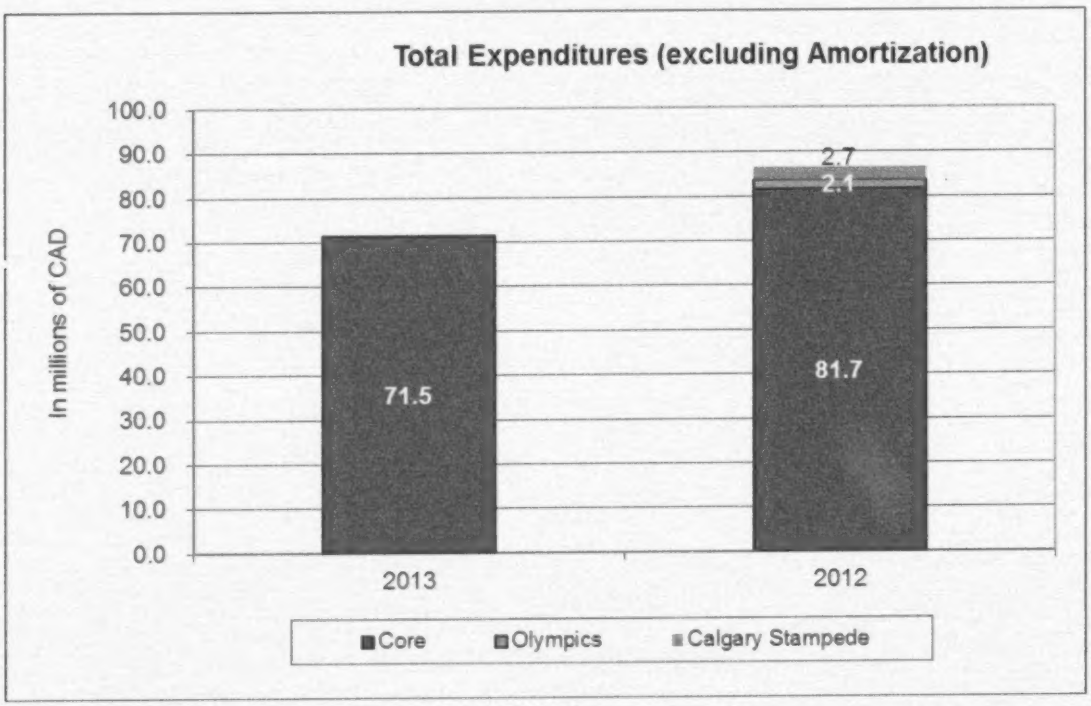


c) Other revenues

Other revenues consist mainly of cost recoveries from co-location partners (where provincial tourism organizations share our office space in China, working collectively in the promotion of Canada as a tourism destination, and benefiting from economies of scale), commodity tax recoveries and interest revenue. The year over year increase is due to the recovery in 2013 of a UK VAT balance related to prior years.

d) Expenditures (excluding Amortization)

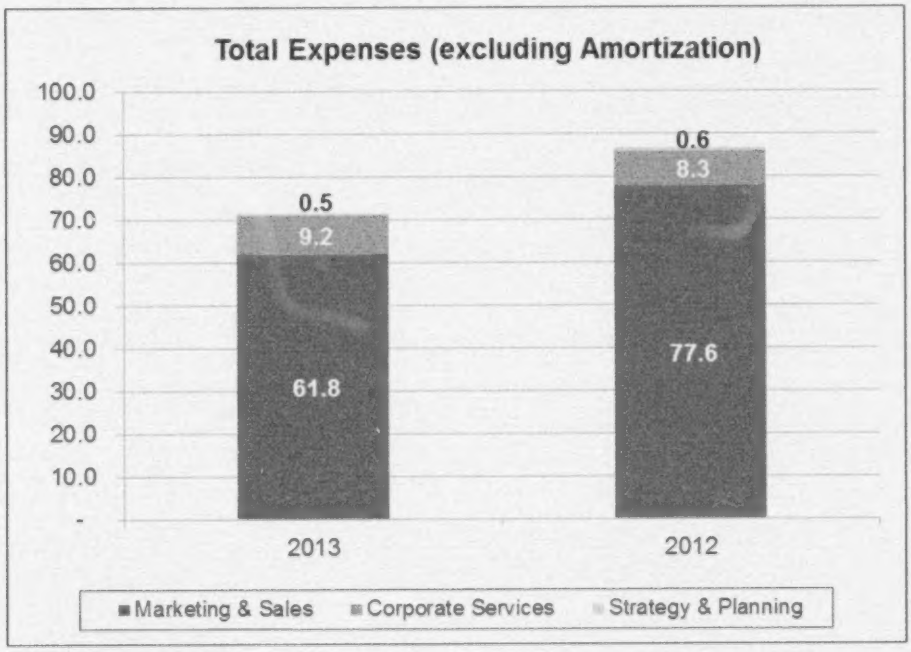
Total expenditures (excluding amortization) have declined significantly year over year, by $15.0 million from 2012.



Marketing and Sales spending declined significantly over prior year, by $15.8 million. This was in part attributable to the end of one-time funded programs which ended in 2012: $2.1 million for Olympics and $2.7 million for the Calgary Stampede Centennial. Corporate marketing activities were reduced by $5.5 million in CTC divisions such as Global Marketing, Global Communications and Research. International marketing and sales spending also declined most notably in Core Markets (UK, France, Germany and Australia) by $4.6 million and in Japan and S. Korea by $1.5 million, while investment in Emerging Markets (China, India, Brazil and Mexico) increased by $1.5 million. As US Leisure activities ceased in 2012, spending in this area was down by $2.1 million versus prior year. The Youth Travel program was initiated in 2013, resulting in an increase in spending of $550,000.

Corporate Services up by $900,000. The CTC incurred significant realized losses from foreign exchange fluctuations in 2013, resulting in an unfavourable impact of $480,000 to Corporate Services costs compared to prior year (refer to foreign exchange discussion on page 57). In 2012, the CTC realized one-time rent recoveries of $350,000, mainly related to the closure of its former headquarters in Ottawa. Rent costs for remaining offices were relatively flat in 2013. The CTC incurred approximately $320,000 of severance and transitional costs related to staff departures as the CTC continues to transform its organization. Many of the benefits related to the staff departures will be realized in future years. These cost pressures are partially offset by on-going cost-reduction and efficiency improvement initiatives which yielded reductions in areas such as training, professional services, travel, systems maintenance and licensing costs. Despite pressures from inflation, rising benefit costs and foreign exchange, the CTC is committed to continue its proactive efforts to address cost pressures by finding cost savings and efficiencies where possible.

The CTC targets to maintain a Corporate Service Ratio (ratio of Corporate Services costs over Marketing and Sales costs) of approximately 15%. The ratio achieved for 2013 was 14.9%.



Program % metric:

This key metric is defined as the percentage of spend dedicated to program spend (non-compensation and non-operating costs), and is indicative of CTC's goal of dedicating the highest possible portion of its budget to marketing and sales programs. In 2013, the CTC achieved a ratio of 66.5%, just ahead of the target of 66% (minimum). This ratio is down 5.5% from prior year as CTC's overall spending was also down.

Employee future benefits:

As a Crown corporation with global operations, the CTC provides a number of pension and benefit plans to its employees. Both the administration of and the accounting for these plans are complex in nature. Additional details of these pension plans are provided in note 8 of the financial statements. The funding requirements for the Canadian defined benefit pension plan and supplemental retirement plan are significant.

Canadian defined benefit pension plan:

Since 2005, the CTC has contributed $5.9 million in special payments to the Canadian defined benefit pension plan to fund the going concern unfunded liabilities and solvency deficiencies. The CTC does not receive any additional funding for these solvency special payments. CTC has taken several significant steps to mitigate the financial burden:

- The CTC established a defined contribution pension plan for Canadian excluded employees hired on or after August 1, 2005 and for Canadian unionized employees hired on or after August 1, 2005 effective March 8, 2007. This change impacted the majority of the Canadian employee base.
- Since 2010, the CTC has taken advantage of relief measures offered through the *Solvency Funding Relief Regulations, 2009 (the "2009 Relief Regulations")*, which allow the amount of the minimum special payments determined over a 10 year period (versus a 5 year period), thereby reducing the annual amount payable.
- In 2011, the CTC began taking advantage of the amendments to the *Pension Benefits Standards Regulations, 1985* (the *"Regulations"*), released by the federal government in March 2011, which allow a Crown corporation to further reduce its annual solvency special payments up to an aggregate reduction of 15% of assets (under Section 9.16 of the *Pension Benefits Standards Act, 1985*, and in accordance with Section 9.2 and Subsections 9(13.3), 9(13.4) and 9(13.5) of the *Regulations*.
- In June 2012, CTC submitted a request to the Department of Finance to withdraw from the *2009 Relief Regulations* but continue under the 2011 amendments to the *Regulations*. As a result of the withdrawal, as required under subparagraph 19(1)(a)(ii) of the *2009 Relief Regulations*, the CTC contributed special payments of $438K in 2012.
- The CTC has elected to use the 2011 solvency relief to reduce the solvency special payment requirements to the maximum of 15% of assets ($3,200,500 as at December 31, 2012). As a result, no solvency special payments were required in 2013. The total aggregate reduction as at December 31, 2013 is $2,761,700. The CTC estimates that this solvency relief will run out in early 2014, at which point, it will be required to once again contribute significant solvency special payments, which will be based on actuarial valuations done in 2014.

Supplemental Retirement Plan:

The supplemental retirement plan ("SRP") provides pension benefits in excess of statutory limits for certain Canadian staff. Since 2005, the CTC had been utilizing a letter of credit ("LoC") to secure the value of the unfunded benefit (the difference between the projected liabilities and the value of the assets). The annual cost of the letter of credit was approximately $3,000. In 2013, the CTC became aware that the LoC is considered a "borrowing" which requires Ministerial approval under Part X, section 127(3) of the Financial Administration Act ("FAA") and therefore terminated its use. As a result, the CTC contributed $1.6 million into the SRP. Going forward, the CTC will be required to fund the value of the benefit increases which will be determined by annual actuarial valuations. This creates a new on-going cost for the CTC as this plan was previously unfunded.

Foreign exchange:

CTC's functional currency is the Canadian dollar, but it regularly transacts in multiple foreign currencies as part of its international operations. As a result, CTC is impacted by fluctuations in foreign exchange rates. Realized gains and losses arise from the settlement of foreign currency transactions when translated into Canadian dollar equivalents using rates of exchange in effect at the time of the transaction. Unrealized gains and losses arise from the translation of monetary assets and liabilities denominated in foreign currencies translated into Canadian dollar equivalents at the rate of exchange in effect at year end. Realized gains and losses are considered Operating Expenses and are included in the Statement of Operations as Corporate Services. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets.

Over the past year, the foreign exchange rates of many currencies experienced significant volatility, notably strengthening against the Canadian dollar throughout the year. The CTC recognized a realized foreign exchange loss of $524,000, mainly from the Renminbi, Euro, US dollar and British Pound and an unrealized foreign exchange gain of $178,000. As CTC adopted accounting handbook sections PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3450 Financial Instruments on a prospective basis (refer to note 3), both realized and unrealized foreign exchange gains/losses, which net to a loss of $45,000 for 2012, are reported on the Statement of Operations as Corporate Services.

Systems Project:

In 2013, CTC completed the final phase of its systems replacement project with the implementation of a financial reporting tool and a human resource information system. This completes the suite of new cloud-based systems which will result in on-going process efficiencies and savings from systems maintenance and licensing costs of over $500,000 annually (compared to its prior suite of systems).

e) Tangible capital asset additions

Tangible capital asset additions were minimal in 2013 at $9,000 ($81,000 in 2012) as the CTC continues its efforts to reduce costs where possible.

Risks and uncertainties

Enterprise Risk Assessment

As part of its strategic management process, the CTC conducts an enterprise risk assessment and uses the results of that assessment in the development of its five-year strategic plan and risk mitigation strategy. Risk mitigation action plans are developed and implemented accordingly.

The latest assessment was completed in the summer of 2013. The resulting risk register, framed in theoretical terms below, along with residual risk ratings, are presented below. For the purposes of the Annual Report, only those risks that fall under the direct control of the CTC management to mitigate have been included.

Since the risk assessment presented in the 2013-2017 Corporate Plan Summary, three new risks have been identified and one risk (Technology Effectiveness) has been removed or effectively mitigated by completing the implementation of the new suite of cloud-based systems discussed above.

STRATEGIC TALENT MANAGEMENT DEVELOPMENT AND RETENTION Lack of talent management and retention strategy may result in managers lacking the skills to be effective at their jobs and/or loss of key talent **Mitigation activities:** • Developed behavioral interviewing tools to address "fit". • Implemented individual action plans developed from previous 360s. • Succession program was updated in Q2 2013. Developmental actions are currently being implemented. • New online exit survey was implemented in 2013. Results are shared with senior management.	2013: 2012: Change: ↑
DISASTER RECOVERY PLANNING / BUSINESS CONTINUITY PLANNING Inability to continue critical operations in the event of an emergency or disaster **Mitigation activities:** • Crisis communication plan is reviewed, updated and communicated annually, most recently in Q2 2013. • Disaster recovery and business continuity plans were revised and approved by senior management in 2013. These plans will be reviewed annually.	2013: 2012: N/A Change: New
MARKETING EFFECTIVENESS Marketing effort is not effective / relevant and has no impact on the tourism industry **Mitigation activities:** • Maintain strong brand and agency; use advance path to purchase model; use key balanced scorecard metrics (campaign return on investment, partner brand alignment and partner satisfaction); recruit, develop and retain the right talent; focus on opportunities for integrating innovation (core value) into our core business and measure against it; perform evaluations on results of conversion studies; use insights to inform decisions and focus efforts and resources optimally. • These activities are on-going.	2013: 2012: Change: ↔
NEW CONTRACTING PROCESS IN NEW FINANCIAL SYSTEM Staff may not fully understand the new process in the system which could result in poor financial management **Mitigation activities:** • Additional training sessions were provided by the Procurement unit in 2013.	2013: 2012: N/A Change: New
SPECIAL EXAM READINESS That the Office of the Auditor General (OAG) concludes that the CTC has not corrected its previous significant deficiencies, or that new significant deficiencies are identified **Mitigation activities:** • The Internal Audit Special Exam Preparedness review was substantially completed in 2013. Management will develop and implement action plans to ensure any deficiencies are remedied prior to OAG Special Exam in 2015.	2013: 2012: N/A Change: New

Very high residual risk		↑	Increase from previous year
High residual risk		↓	Decrease from previous year
Medium residual risk		↔	No change from previous year
Low residual risk		New	New risk identified in current year
		N/A	Not applicable

Internal Audit

The CTC engages an external firm to carry out its Internal Audit function. The Internal Auditors act independently and report directly to the Audit and Pension Committee of the Board of Directors. The development of CTC's annual internal audit program is risk-based and incorporates the results of the enterprise risk assessment and input from the Board of Directors and key management personnel. In 2013, the internal auditor completed a Special Examination Preparedness Review and a Control Environment Baseline Assessment. Management will develop and implement action plans to address the internal auditor's recommendations.

Special examination

Budget Implementation Act 2009 amended Part X of the *Financial Administration Act*, whereby extending the frequency of Special Examinations from every five to ten years. The next Special Examination for the CTC will be completed in 2015. The CTC has been in discussion with the OAG to determine timing of fieldwork, which is expected to begin in 2014.

Management Responsibility Statement

The management of the CTC is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report together with audited financial statements. These statements, approved by the Board of Directors, were prepared in accordance with Canadian public sector accounting standards appropriate in the circumstances. Other financial and operational information appearing elsewhere in the Annual Report is consistent with that contained in the financial statements.

Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act*, and by-laws of the CTC. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the CTC are carried out effectively. In addition, the Audit and Pension Committee, appointed by the Board of Directors, oversees the internal audit activities of the CTC and performs other such functions as are assigned to it.

The CTC's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

Greg Klassen
President and
Chief Executive Officer (Interim)

Lena Bullock
Vice President, Finance
and Chief Financial Officer

March 21, 2014

Auditor's Report

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Industry

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Tourism Commission, which comprise the statement of financial position as at 31 December 2013, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

.../2

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Tourism Commission as at 31 December 2013, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, except for the change in the method of accounting for foreign currency translation and government transfers as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Canadian Tourism Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act* and the by-laws of the Canadian Tourism Commission.

Terrance DeJong, CPA, CA
Assistant Auditor General
for the Auditor General of Canada

21 March 2014
Vancouver, Canada

Financial Statements

Canadian Tourism Commission

Statement of Financial Position

As at December 31

(in thousands)

	2013	2012
Financial assets		
Cash and cash equivalents (Note 4)	$ 11,918	$ 11,675
Accounts receivable		
Partnership contributions	768	1,565
Government of Canada	474	918
Other	48	315
Portfolio investments (Note 5)	590	636
Accrued benefit asset (Note 8)	5,677	4,991
	19,475	20,100
Liabilities		
Accounts payable and accrued liabilities		
Trade	$ 5,160	$ 6,902
Employee compensation	1,787	1,683
Government of Canada	-	33
Accrued benefit liability (Note 8)	6,144	6,644
Deferred parliamentary appropriations (Note 9)	-	1,609
Deferred revenue	751	598
Asset retirement obligation	521	521
	14,363	17,990
Net financial assets	5,112	2,110
Non-financial assets		
Prepaid expenses and other assets	1,008	2,122
Tangible capital assets (Note 7)	688	1,115
	1,696	3,237
Accumulated surplus (Note 10)	$ 6,808	$ 5,347

Commitments and Contingencies (Notes 14 and 15)

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors

Steve Allan
Director

Scott Allison
Director

Canadian Tourism Commission

Statement of Operations

For the year ended December 31

(in thousands)

	Budget 2013	2013	2012
Revenues			
Partner revenues	$ 6,893	$ 9,271	$ 9,865
Other	629	1,026	885
	7,522	10,297	10,750
Expenses			
Marketing and sales (Note 11)	60,413	61,779	77,582
Corporate services	9,813	9,220	8,265
Strategy and planning	604	543	617
Amortization of tangible capital assets	537	436	640
	71,367	71,978	87,104
Net cost of operations before funding from the Government of Canada	(63,845)	(61,681)	(76,354)
Parliamentary appropriations (Note 9)	61,249	62,964	77,189
Surplus / (deficit) for the period	(2,596)	1,283	835
Accumulated operating surplus, beginning of period	5,347	5,347	4,512
Accumulated operating surplus, end of period	$ 2,751	$ 6,630	$ 5,347

The accompanying notes form an integral part of these financial statements.

Canadian Tourism Commission

Statement of Remeasurement Gains and Losses

For the year ended December 31

(in thousands)

	2013
Accumulated remeasurement gains and (losses) at beginning of period	$ -
Unrealized gains attributable to foreign exchange	178
Amounts reclassified to the statement of operations	-
Accumulated remeasurement gain at end of period	$ 178

The accompanying notes form an integral part of these financial statements.

Canadian Tourism Commission

Statement of Change in Net Financial Assets

For the year ended December 31

(in thousands)

	Budget 2013	2013	2012
Surplus / (deficit) for the period	$ (2,596)	$ 1,283	$ 835
Acquisition of tangible capital assets	(300)	(9)	(81)
Amortization of tangible capital assets	537	436	640
Net disposition of tangible capital assets	-	-	37
	237	427	596
Effect of change in other non-financial assets			
(Increase) / decrease in prepaid expenses	-	1,114	(240)
	-	1,114	(240)
Remeasurement gain	-	178	-
Increase / (decrease) in net financial assets	(2,359)	3,002	1,191
Net financial assets, beginning of period	2,110	2,110	919
Net financial assets, end of period	$ (249)	$ 5,112	$ 2,110

The accompanying notes form an integral part of these financial statements.

Canadian Tourism Commission

Statement of Cash Flows

For the year ended December 31

(in thousands)

	2013	2012
Operating transactions:		
Cash received from:		
Parliamentary appropriations used to fund operating and capital transactions	$ 61,355	$ 75,850
Partner revenues	10,341	9,046
Other revenues	828	670
Interest on cash	198	215
	72,722	85,781
Cash paid for:		
Cash payments to suppliers	(56,197)	(76,826)
Cash payments to and on behalf of employees	(16,497)	(13,763)
Cash applied to / (used in) operating transactions	28	(4,808)
Capital transactions:		
Acquisition of tangible capital assets	(9)	(81)
Cash used in capital transactions	(9)	(81)
Investing transactions:		
Acquisition of portfolio investments	-	(636)
Disposition of portfolio investments	46	-
Cash applied to / (used in) investment transactions	46	(636)
Foreign exchange gain on cash held in foreign currency	178	145
Net increase / (decrease) in cash during the period	243	(5,380)
Cash and cash equivalents, beginning of period	11,675	17,055
Cash and cash equivalents, end of period	$ 11,918	$ 11,675

The accompanying notes form an integral part of these financial statements.

Notes to the Audited Financial Statements

December 31, 2013

1. AUTHORITY AND OBJECTIVES

The Canadian Tourism Commission (the "CTC") was established on January 2, 2001 under the Canadian Tourism Commission Act (the "Act") and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The CTC is for all purposes an agent of her Majesty in right of Canada. As a result, all obligations of the CTC are obligations of Canada. The CTC is not subject to income taxes.

As stated in section 5 of the Act, the CTC's mandate is to:

- sustain a vibrant and profitable Canadian tourism industry;
- market Canada as a desirable tourist destination;
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and the territories.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards. Significant accounting policies are as follows:

a) Parliamentary appropriations

The CTC is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations used to fund core operations and capital expenditures are considered unrestricted and recognized as revenues when the appropriations are authorized and any eligibility criteria are met. Parliamentary appropriations used to fund one-time activities, such as Olympics or Stimulus, are considered restricted. Restricted appropriations have eligibility criteria and stipulations that give rise to an obligation that meets the definition of a liability. Restricted appropriations are recognized as deferred revenue when the stipulation gives rise to a liability. Restricted appropriation revenue is recognized as the stipulation liabilities are settled.

As a result of the CTC's year-end date (December 31) being different than the Government of Canada's year end date (March 31), the CTC is funded by portions of appropriations from two Government fiscal years. Refer to note 9.

The CTC will have a deferred parliamentary appropriations balance at year-end when the restricted funding received for the period exceeds the restricted appropriations recognized for the related fiscal period. On the other hand, the CTC will have a parliamentary appropriations receivable balance when restricted appropriations recognized exceed the restricted funding received.

The CTC does not have the authority to exceed approved appropriations.

b) **Partnership contributions**

The CTC conducts marketing activities in partnership with a variety of Canadian and foreign organizations. Where the CTC assumes the financial risks of conducting a marketing activity, contributions received from a partnering organization are recognized in income when the related marketing activity takes place. Partnership contributions received for which the related marketing activity has not yet taken place are recognized as deferred revenue.

c) **Other revenues**

Other revenues consist of cost recoveries from co-location partners, interest and other miscellaneous revenues. These items are recognized as revenue in the period in which the transaction or event occurred that gives rise to the revenue.

d) **Foreign currency translation**

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Canadian dollars at the applicable year-end exchange rate. Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated into Canadian dollars at historical exchange rates. Revenue and expense items are translated during the year at the exchange rate in effect on the date of the transaction. Amortization expenses of tangible capital assets are translated at historical rates to which the assets relate. Realized gains and losses are considered Operating Expenses and are included in the Statement of Operations as Corporate Services. Unrealized gains and losses are reported on the Statement of Remeasurement Gains and Losses and in the Statement of Change in Net Financial Assets. The CTC does not hedge against the risk of foreign currency fluctuations.

e) **Cash and cash equivalents**

Cash and cash equivalents include cash in bank and a money market term deposit. These items are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Refer to note 4.

f) **Portfolio investments**

Portfolio investments are measured at amortized cost. Interest income related to these investments is calculated based on the effective interest method.

g) **Prepaid expenses**

Prepaid expenses consists of program and operating expenses recognized as an expense based on the term of usage for items such as subscriptions or based on the event date of tradeshows.

h) **Tangible capital assets**

Tangible capital assets are recorded at cost less accumulated amortization and the amount of any write-downs or disposals. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	Remaining term of lease
Office furniture	5 years
Computer hardware	3 years
Computer software	5 years

Intangible assets are not recognized in these financial statements.

i) **Deferred revenue**

Deferred revenue consists of deferred revenues from partnering organizations and deferred lease inducements. The deferred revenues relating to partnering organizations are recognized as revenues based on the event's date or over the license period. The deferred revenues relating to lease inducements are recognized as a reduction of lease expense over the term of the lease.

j) **Asset retirement obligation**

Asset retirement obligation consists of decommissioning costs for various office leases. The CTC recognized asset retirement obligations as a result of legal obligations to restore leased office spaces back to their original states at the end of the lease term. Asset retirement obligations are measured initially at fair value, based on management's best estimates, with the resulting amount capitalized into the carrying amount of the related asset. The capitalized asset retirement cost is included in leasehold improvements and amortized on the same basis as the related asset. The amortization expense is included in determining the net cost of operations. Refer to note 7.

k) **Employee future benefits**

The CTC offers a number of funded, partly funded and unfunded defined benefit pension plans, other unfunded defined benefit plans (which include post-employment benefits, post-retirement benefits and non-vested sick leave), as well as defined contribution pension plans. The pension plans include statutory plans and a supplemental plan. Other benefit plans include post-employment severance benefits and post-retirement health, dental and life insurance benefits and non-vested sick leave. The defined benefit pension plans provide benefits based on years of service and average pensionable earnings at retirement. The CTC funds certain pension plans annually based on actuarially determined amounts needed to satisfy employee future benefit entitlements under current benefit regulations. Cost of living adjustments are automatically provided for retirees in accordance with Consumer Price Index increases.

The costs and obligations of the defined benefit plans are actuarially determined using the projected benefit method prorated on service that incorporates management's best estimates of the rate of employee turnover, the average retirement age, the average cost of claims per person, future salary and benefit levels, expected return on plan assets, future medical costs, and other actuarial factors. For the purposes of calculating the expected return on plan assets, those plan assets are based on the market value of plan assets.

Past service costs arising from plan amendments are recognized in the years of which the plan amendment occurred.

Actuarial gains and losses are amortized over expected average remaining service lifetime (EARSL) of active employees. For 2013, this EARSL has been determined to be 8.7 years (8.9 years - 2012) for the Registered Pension Plan for Employees of the CTC ("RPP"), 8 years (9 years - 2012) for the Supplementary Retirement Plan for certain employees of the CTC ("SRP"), 15.3 years (15.3 years - 2012) for the Pension Plan for Employees of the CTC in Japan, South Korea and China ("WWP"), 17 years (17 years - 2012) for non-pension post-retirement benefits, 13 years (13 years - 2012) for severance benefits and 13 years (13 years - 2012) for sick leave benefits.

Employees working in the United Kingdom and the United States participate in the Department of Foreign Affairs defined benefit pension plans administered by the Government of Canada. The assets of these plans cannot be allocated among participating employers, and as such, these plans

are deemed "multi-employer" plans and accounted for as defined contribution plans. The CTC's contributions to these plans reflect the full benefit cost of the employer. These amounts vary depending upon the plan and are based on a percentage of the employee's gross earnings. Contributions may change over time depending on the experience of the plans since the CTC is required under present legislation to make adjustments for the rate of contributions to cover any actuarial deficiencies of these plans. Contributions represent the total pension obligations of the CTC for these employees and are charged to operations during the year in which the services are rendered.

l) **Financial instruments**

Financial assets and financial liabilities are measured at amortized cost. Financial assets consist of cash and cash equivalents, accounts receivable, and portfolio investments, while financial liabilities consist of accounts payable and accrued liabilities.

m) **Measurement uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ significantly from those estimates. The most significant estimates involve the determination of employee future benefits, the useful lives for amortization of tangible capital assets and the fair value of the asset retirement obligation.

3. ACCOUNTING CHANGES

The accounting changes adopted by the CTC as of January 1, 2013 and the financial impact upon adoption are detailed below:

- PS 3410 Government Transfers: This new standard clarifies the difference between eligibility criteria and stipulations and their roles in the recognition of government transfers. It explains how the definition of liabilities in Section PS 3200 – *Liabilities* should apply to the recognition of government transfers by recipient governments or government organizations. Deferral of unrestricted parliamentary appropriations is no longer allowed under PS 3410 – *Government Transfers* as it is no longer permissible to apply the guidance in Section PS 3100 – *Restricted assets and revenues* when reporting unrestricted government transfers. As of December 31, 2012, the CTC recognized parliamentary appropriations used to fund core operations and capital expenditures as revenues on a straight-line basis from January 1 to December 31. As of January 1, 2013, the CTC recognizes unrestricted parliamentary appropriations as revenues when they are authorized and any eligibility criteria are met. Upon adoption of this standard, the CTC recognized $1.6 million in parliamentary appropriations that had been deferred at December 31, 2012.
- PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments: the financial statement impact of adoption of these three sections is limited to the disclosure of remeasurement gains and losses for any unrealized foreign exchange gains and losses on the new Statement of Remeasurement Gains and Losses. During the year, the CTC realized $144,661 in foreign exchange losses that were unrealized at December 31, 2012.

- PS 3041 Portfolio Investments: under current operations, no financial statement impact upon adoption.

The above standards have been applied on a prospective basis and therefore, prior period financial statements, including comparatives, have not been restated.

4. CASH AND CASH EQUIVALENTS (000s)

	2013	2012
Cash in bank	$ 11,584	$ 11,487
Money market term deposit	334	188
Total cash and cash equivalents	$ 11,918	$ 11,675

5. PORTFOLIO INVESTMENTS (000s)

The CTC holds portfolio investments consisting of Canadian Provincial Governmental bonds with maturity dates staggered between 2014 and 2031 as follows:

Issuer	Maturity Date	Cost	Interest Accrued to Date	Carrying Value	Market Value	Maturity
Province of BC	18-Dec-14	$ 60	$ 2	$ 62	$ 62	$ 62
Province of Nova Scotia	01-Dec-15	56	2	58	58	60
Province of New Brunswick	27-Dec-16	51	2	53	54	57
Province of Quebec	01-Dec-17	93	4	97	97	106
Province of Quebec	01-Dec-19	76	4	80	79	94
Province of Nova Scotia	02-Dec-21	60	4	64	63	82
Province of Ontario	02-Dec-23	47	3	50	48	70
Province of Ontario	02-Dec-25	51	4	55	51	84
Province of BC	18-Dec-28	32	3	35	31	59
Province of Ontario	02-Dec-31	33	3	36	32	70
		$ 559	$ 31	$ 590	$ 575	$ 744

6. FOREIGN CURRENCY TRANSLATION

The CTC is exposed to currency risk as a significant portion of its revenue and expenses are earned or incurred, and subsequently received or paid in currencies other than Canadian dollars. Currency risk arises due to fluctuations in foreign exchange rates, which could affect the CTC's financial results. The CTC does not hedge against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations.

The undernoted accounts are comprised of the following currencies as at December 31, 2013:

(000s)

Currency	Cash		Accounts receivable		Accounts payable and accrued liabilities	
	Currency units	Canadian equivalent	Currency units	Canadian equivalent	Currency units	Canadian equivalent
Australian Dollars	102	$ 97	8	$ 7	4	$ 4
Canadian Dollars	10,444	10,444	1,091	1,091	4,508	4,508
Chinese Yuan	1,506	263	650	113	4,732	829
Euros	191	281	14	20	187	275
Great Britain Pounds	72	126	9	16	252	445
Hong Kong Dollars	(36)	(5)	-	-	23	3
Japanese Yen	(9,976)	(101)	-	-	9,935	101
Mexican Pesos	253	21	86	7	663	54
South Korean Won	(35,757)	(36)	11,450	12	117,774	118
United States Dollars	774	828	23	24	570	610
Total Canadian equivalent		$ 11,918		$ 1,290		$ 6,947
Comprised of:						
Trade and partnership		-		$ 768		$ 5,160
Other		-		48		-
Employee compensation		-		-		1,787
Related party		-		474		-
Total		$ 11,918		$ 1,290		$ 6,947

At December 31, 2013, if the above foreign currencies had strengthened (or weakened) by 10 percent against the Canadian dollar, with all other variables held constant, the unrealized foreign exchange gain or loss would have increased (or decreased) by approximately $74,000 ($60,000 - 2012).

The amount of realized foreign exchange losses recorded under "Corporate services" on the statement of operations in 2013 is $524,401 (gain of $100,230 in 2012).

7. TANGIBLE CAPITAL ASSETS (000s)

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom-Leaseholds	2013 Total
Cost of tangible capital assets, opening	$ 310	$ 157	$ 3,625	$ 529	$ 833	$ 5,454
Acquisitions	4	-	5	-	-	9
Disposals	(49)	(144)	(1,114)	-	(318)	(1,625)
Cost of tangible capital assets, closing	265	13	2,516	529	515	3,838
Accumulated amortization, opening	161	151	2,853	479	695	4,339
Amortization expense	92	3	271	23	47	436
Disposals	(49)	(144)	(1,114)	-	(318)	(1,625)
Accumulated amortization, closing	204	10	2,010	502	424	3,150
Net book value	$ 61	$ 3	$ 506	$ 27	$ 91	$ 688

	Computer Hardware	Computer Software	Leasehold Improvements	Office Furniture	Decom-Leaseholds	2012 Total
Cost of tangible capital assets, opening	$ 972	$ 416	$ 3,633	$ 544	$ 833	$ 6,398
Acquisitions	65	-	14	2	-	81
Disposals	(727)	(259)	(22)	(17)	-	(1,025)
Cost of tangible capital assets, closing	310	157	3,625	529	833	5,454
Accumulated amortization, opening	738	328	2,526	459	637	4,688
Amortization expense	150	56	341	35	58	640
Disposals	(727)	(233)	(14)	(15)	-	(989)
Accumulated amortization, closing	161	151	2,853	479	695	4,339
Net book value	$ 149	$ 6	$ 772	$ 50	$ 138	$ 1,115

Substantially all of the CTC's tangible capital assets are located in Canada. There are no assets legally restricted for the purpose of settling asset retirement obligations.

8. ACCRUED BENEFIT ASSET/LIABILITY

The CTC offers a number of employee future benefit plans covering its employees in Canada and abroad. The following table summarizes these plans and the benefits they provide:

Employees Covered	Name of the Plan	Nature of the Plan	Contributors	Accounting Treatment
Canada	Registered Pension Plan for the Employees of the Canadian Tourism Commission – Defined Benefit component	Funded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
	Registered Pension Plan for the Employees of the Canadian Tourism Commission – Defined Contribution component	Combination of Defined Contribution Plan and Group RRSP	CTC and plan members	Defined Contribution Plan
	Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	Partly funded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
	Non-Pension Post-Retirement Benefit Plan for Canadian Employees	Unfunded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
China, Japan and South Korea	Pension Plan for Employees of the CTC in China, Japan and South Korea	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan
US	Qualified Pension Plan for US Citizen Employees Working in the US	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Registered Pension Plan for Canadian Citizen Employees Working in the US	Funded Multi-employer Defined Benefit Plan	CTC	Defined Contribution Plan
	Non-Pension Post-Retirement Benefit Plan for Certain US Employees	Unfunded, Defined Benefit Plan	CTC and plan members	Defined Benefit Plan
UK	Canadian High Commission Locally Engaged Staff Pension Scheme	Funded Multi-employer Defined Benefit Plan	CTC and plan members	Defined Contribution Plan
Canada, China, Japan, South Korea, US, UK	Severance Benefits for certain Canadian and Locally Engaged Employees	Unfunded, Defined Benefit Plan	CTC	Defined Benefit Plan

Defined contribution plans

Canada

The CTC established a defined contribution pension plan for non-unionized employees in Canada, hired on or after August 1, 2005. On January 30, 2007, the Canadian unionized employees of the CTC agreed to participate in the defined contribution plan effective March 8, 2007. This decision impacted unionized employees hired on or after August 1, 2005.

The total cost for the CTC's defined contribution pension plans was $447,311 in 2013 ($429,187 - 2012).

US and UK

The CTC also participates in multi-employer defined benefit plans providing pension benefits to employees working in the US and in the UK. These plans, to which contributions totaled $406,908 in 2013 ($325,872 - 2012), are accounted for as defined contribution plans.

Defined benefit plans

Canada

The CTC has a number of defined benefit plans in Canada, which provide post-retirement and post-employment benefits to its employees.

Effective January 2, 2004, pension arrangements include a registered pension plan as well as a supplemental arrangement, which provides pension benefits in excess of statutory limits. The CTC provides pension benefits based on employees' years of service and average earnings at the time of retirement. The registered pension plan is funded by contributions from the CTC and from the members. In accordance with pension legislation, the CTC contributes amounts determined on an actuarial basis and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time. The supplemental retirement plan liabilities arising on and after January 2, 2004 are funded annually on a hypothetical plan termination basis according to the valuation report prepared by the actuary. In previous years this plan was funded on a pay-as-you-go basis due to the fact that the CTC held a Letter of Credit with a value based on the actuarial valuation of the estimated assets and liabilities of the supplemental retirement plan. The Letter of Credit was not renewed for 2013.

China, Japan and South Korea

The CTC has a defined benefit pension plan for certain locally engaged staff in China, Japan and South Korea. The Pension Scheme for Employees of the Government of Canada Locally Engaged Outside Canada, 1996 ("WWP"), provides retirement benefits based on employees' years of service and average earnings at the time of retirement. These liabilities are funded on a pay-as-you-go basis.

In March 2012, the CTC received $1.0 million from Treasury Board Secretariat ("TBS") relating to locally engaged staff pension benefits under the WWP for service prior to January 2, 2001. Prior to this, TBS had been reimbursing the CTC for amounts related to the past service period. The funds are held by the CTC in bonds and a money market term deposit and are recorded as portfolio investments (Note 5) and cash and cash equivalents (Note 4). The CTC continues to be responsible for the service accruing on and after January 2, 2001.

Severance and post-retirement benefits

Severance benefits are provided for certain current employees in Canada, China, Japan, South Korea, US and UK. The cost of the benefits is fully paid by the CTC. These plans are unfunded.

Post-retirement benefits which may include health, dental and life insurance are provided for certain retired employees in Canada and the US. The cost of these benefits is shared by the CTC and the retirees.

Measurement date and date of actuarial valuation:

The most recent actuarial valuation of the Canadian registered defined benefit pension plan for funding purposes was as at December 31, 2012 and was filed with the Office of Superintendent of Financial Institutions ("OSFI") by the due date of June 30, 2013.

The going concern financial position based on the most recent actuarial valuation showed a funding surplus of $1,592,000 (surplus of $557,700 - 2012). The valuation also identified an average solvency ratio of 75.0% (80.7% - 2012).

Under normal circumstances, the CTC would be required to make special payments over the five years following the effective date of the valuation to eliminate any unfunded liability and any solvency shortfall. However, on March 25, 2011, the federal government released the Regulations amending certain Regulations in force in 2009 and made under the Pension Benefits Standards Act, 1985. Under these new regulations, the CTC may reduce its solvency special payments determined under the most recent funding actuarial valuation of the plan filed with regulatory authorities, if it notifies the appropriate Ministers that it intends to so. In 2011, the CTC received approval from the appropriate Ministers regarding its decision to reduce its solvency special payments until it reaches the maximum permitted aggregate reduction in solvency special payments.

As a result of these regulations, the CTC was not required to make any special payments in 2013 ($437,708 - 2012).

Future special payments cannot be reasonably estimated until a new funding valuation is completed, however, the CTC estimates that it will reach the maximum permitted aggregate reduction in solvency special payments in early 2014, and will be required to resume making special payments.

The CTC measures its accrued benefit obligations and the market value of plan assets of its pension plans and post-retirement non-pension benefits for accounting purposes at September 30th of each year.

CHANGE IN ACCRUED BENEFIT OBLIGATION (000s):

	Pension		Other Benefit Plans	
	2013	2012	2013	2012
Accrued benefit obligation, beginning of year	$ 21,749	$ 19,843	$ 5,383	$ 5,627
Current period benefit cost (employer portion)	401	381	197	244
Interest cost on average accrued benefit obligation	1,169	1,149	114	132
Plan amendments	-	-	-	(35)
Employees' contributions	100	120		
Benefits paid	(1,212)	(1,030)	(224)	(310)
Actuarial loss / (gain)	(1,573)	381	(410)	(275)
Past service (gain) / loss	-	905		
Accrued benefit obligation, end of year	$ 20,634	$ 21,749	$ 5,060	$ 5,383

CHANGE IN PLAN ASSETS (000s):

	Pension		Other Benefit Plans	
	2013	2012	2013	2012
Market value of plan assets, beginning of year	$ 22,057	$ 20,345	$ -	$ -
Actual return on plan assets net of actual investment expenses	2,274	2,106	-	-
Employer contributions	650	516	224	310
Employees' contributions	100	120	-	-
Benefits paid	(1,212)	(1,030)	(224)	(310)
Market value of plan assets, end of year	$ 23,869	$ 22,057	$ -	$ -

RECONCILIATION OF FUNDED STATUS (000s):

Detailed Pension Plan information	2013	2012
Defined benefit component of Pension Plan for Employees of the Canadian Tourism Commission		
Accrued benefit obligation	$ (17,280)	$ (18,187)
Plan assets	22,633	20,918
Surplus	$ 5,353	$ 2,731
Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission		
Accrued benefit obligation	$ (2,374)	$ (2,394)
Plan assets	1,235	1,139
Deficit	$ (1,139)	$ (1,255)
Pension Plan for Employees of the Commission in China, Japan and South Korea		
Accrued benefit obligation	$ (979)	$ (1,168)
Plan assets	-	-
Deficit	$ (979)	$ (1,168)

The accrued benefit obligation and market value of assets at year-end are the following amounts in respect of plans that are either unfunded or not fully funded:

Funded Status	Pension		Other Benefit Plans	
	2013	2012	2013	2012
Accrued benefit obligation	$ (3,353)	$ (3,562)	$ (5,060)	$ (5,383)
Plan assets	1,235	1,139	-	-
Funded status – deficit, end of year	$ (2,118)	$ (2,423)	$ (5,060)	$ (5,383)

The plan assets at the measurement date for 2013 related to the Registered Pension Plan exceeded the accrued benefit obligation. The accrued benefit obligation for the Supplementary Retirement Plan and the Pension Plan for Employees of the CTC in China, Japan and South Korea exceeded the plan assets at the measurement date for 2013.

RECONCILATION OF FUNDED STATUS TO ACCRUED BENEFIT ASSET / (LIABILITY) (000s):

	Pension		Other Benefit Plans	
	2013	2012	2013	2012
Funded status – surplus / (deficit), end of year	$ 3,236	$ 308	$ (5,060)	$ (5,383)
Employer contributions during period from measurement date to fiscal year end	1,605	409	-	-
Unamortized actuarial losses	(369)	2,459	121	565
Accrued benefit asset / (liability)	$ 4,472	$ 3,176	$ (4,939)	$ (4,818)

The cumulative excess of pension contributions on the Registered Pension Plan and Supplementary Retirement Plan over pension benefit cost is reported as an accrued benefit asset. The Pension Plan for Employees of CTC in China, Japan, and South Korea, the post-retirement, post-employment benefits and sick leave are reported as an accrued benefit liability.

Accrued Benefit Asset/(Liability)	2013	2012
Registered Pension Plan for the Employees of the Canadian Tourism Commission	$ 4,951	$ 4,991
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	726	-
Total accrued benefit asset	5,677	4,991
Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	-	(613)
Pension Plan for the Employees of the CTC in China, Japan and South Korea	(1,205)	(1,202)
Notional defined contribution component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	(1)	(11)
Non-pension Post Retirement Benefit Plan	(3,804)	(3,627)
Post Employment Severance Plan	(1,007)	(1,061)
Post Employment Non-Vested Sick Leave Plan	(127)	(130)
Total accrued benefit liability	(6,144)	(6,644)
Total net accrued benefit liability	$ (467)	$ (1,653)

The weighted-average asset allocation by asset category of the CTC's defined benefit pension plans is as follows:

Asset Allocation	2013	2012
Equity securities	66%	60%
Debt securities	31%	37%
Receivable from Government of Canada	3%	3%
Total	100%	100%

NET BENEFIT COST RECOGNIZED IN THE PERIOD (000s):

	Pension		Other Benefit Plans	
	2013	2012	2013	2012
Current period benefit cost	$ 501	$ 501	$ 197	$ 244
Interest cost	-	-	114	132
Amortization of net actuarial loss / (gain)	290	373	35	62
Immediate recognition of past service costs	-	886	-	(35)
Total	791	1,760	346	403
Less: employee contributions	(100)	(120)	-	-
Retirement benefits expense	691	1,640	346	403
Interest cost on average accrued benefit obligation	1,169	1,149	-	-
Expected return on average pension plan assets	(1,310)	(1,230)	-	-
Retirement benefits interest expense	$ (141)	$ (81)	$ -	$ -
Total pension expense	$ 550	$ 1,559	$ 346	$ 403

SIGNIFICANT ACTUARIAL ASSUMPTIONS USED ARE AS FOLLOWS (WEIGHTED AVERAGE):

	Pension		Other Benefit Plans	
	2013	2012	2013	2012
Accrued benefit obligation				
Discount rate				
· Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.50%	6.10%		
· Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	2.97%	2.22%		
· Pension Plan for the Employees of the CTC in China, Japan and South Korea	2.27%	1.53%		
· Non-pension post retirement			2.97%	2.22%
· Post employment severance			2.27%	1.53%
· Post Employment Non-Vested Sick Leave Plan			2.27%	1.53%
Rate of compensation increase				
· Canadian	3.13%	3.38%	3.13%	3.38%
· Locally engaged	2.75%	3.00%	2.75%	3.00%
Pension expense				
Discount rate				
· Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.10%	6.20%		
· Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	2.22%	2.68%		
· Pension Plan for the Employees of the CTC in China, Japan and South Korea	1.53%	1.87%		
· Non-pension post retirement			2.22%	2.68%
· Post employment severance			1.53%	1.87%
· Post Employment Non-Vested Sick Leave Plan			1.53%	1.87%
Expected long-term rate of return on plan assets				
· Registered Pension Plan for the Employees of the Canadian Tourism Commission	6.10%	6.20%		
· Defined benefit component of the Supplementary Retirement Plan for Certain Employees of the Canadian Tourism Commission	3.05%	3.10%		
Rate of compensation increase:				
· Canadian	3.13%	3.38%	3.13%	3.38%
· Locally engaged	2.75%	3.00%	2.75%	3.00%

ASSUMED HEALTH CARE COST TREND RATE FOR OTHER BENEFIT PLANS:

Net benefit cost	Other Benefit Plans			
	2013		2012	
	CDN	US	CDN	US
Initial health care trend rate	6.50%	9.00%	6.87%	9.00%
Ultimate health care trend rate	4.50%	4.50%	4.48%	4.50%
Year ultimate rate reached	2030	2033	2030	2033

Accrued benefit obligation	Other Benefit Plans			
	2013		2012	
	CDN	US	CDN	US
Initial health care trend rate	6.40%	8.80%	6.50%	9.00%
Ultimate health care trend rate	4.50%	4.50%	4.50%	4.50%
Year ultimate rate reached	2030	2033	2030	2033

Total cash amounts

Total cash amounts for employee future benefits, consisting of cash contributed in the normal course of business by the CTC to its funded and unfunded defined benefit pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plans and cash contributed to its multi-employer defined benefit plan is $1,232,054 ($1,135,516 - 2012). In addition, the CTC was required to make a payment to reduce the letter of credit held against the unfunded benefit obligation of a registered retirement compensation arrangement for certain employees of the CTC. This payment totaled $1,565,000. The total cash amount is $2,797,054 in 2013 ($1,573,224 - 2012).

Letter of Credit

The CTC has a registered retirement compensation arrangement for certain employees of the CTC. In 2012, the CTC held a letter of credit with a face value of $1,487,000, measured based on the actuarial valuation of the estimated assets and liabilities of the Supplementary Retirement Plan. The letter of credit was not renewed in 2013 and a payment of $1,565,000 was applied to the unfunded benefit obligation of the Supplementary Retirement Plan.

9. PARLIAMENTARY APPROPRIATIONS (000s)

The schedule below reconciles the amount of funding available to the CTC during the year with the amount actually used in operations:

	2013	2012
Amounts provided for operating and capital expenditures		
Amounts voted:		
Main estimates 2012/13 (2011/12)	$ 71,496	$ 76,033
Supplementary estimates B	-	5,000
Supplementary estimates C	-	1,001
	71,496	82,034
Less portion recognized in prior year	(53,621)	(58,466)
Amounts recognized in current year	17,875	23,568
Amounts voted:		
Main estimates 2013/14 (2012/13)	57,833	72,033
Supplementary estimates B	140	-
Supplementary estimates C	3	-
Budget 2012 Spending Review	-	(537)
	57,976	71,496
Less portion to be recognized in following year	(12,887)	(17,875)
Amounts recognized in the current year	45,089	53,621
Parliamentary appropriations used for operations and capital in the year	62,964	77,189
Parliamentary appropriations (deferred)		
Opening Balance	(1,609)	(2,948)
Cash Received from Government Fiscal 2012/13 (2011/12)	(16,266)	(20,619)
Cash Received from Government Fiscal 2013/14 (2012/13)	(45,089)	(55,231)
Appropriations used for operations and capital in the year	62,964	77,189
Ending Balance	$ -	$ (1,609)

10. ACCUMULATED SURPLUS (000s)

The accumulated surplus is comprised of:

	2013	2012
Accumulated operating surplus	$ 6,630	$ 5,347
Accumulated remeasurement gain	178	-
Accumulated surplus	$ 6,808	$ 5,347

11. MARKETING AND SALES EXPENSES (000s)

The CTC carries out its activities in a variety of countries around the world. These countries are supported by the CTC's Corporate Marketing and Sales units, located at headquarters including E-Marketing, Brand Experiences, Research and Global Communications. Geographical information is as follows:

	2013	2012
Core (UK, France, Germany and Australia)	$ 18,125	$ 24,543
Corporate Marketing	16,014	21,624
Emerging markets (India, Brazil, Mexico, Japan, South Korea and China)	19,597	21,871
US (Business Events Canada)	8,043	9,544
	$ 61,779	$ 77,582

12. EXPENDITURE BY OBJECT (000s)

The following is a summary of expenditures by object:

	2013	2012
Program		
Advertising	$ 2,427	$ 6,315
Public and media relations	6,275	10,576
Consumer development	22,089	27,254
Trade development	16,429	17,782
Research	3,762	2,841
Total Program Expenses	50,982	64,768
Salaries and benefits	13,850	13,707
Operating Expense		
Other	2,820	3,792
Rent	1,851	1,614
Travel	1,141	1,369
Professional services	898	1,214
Total Operating Expenses	6,710	7,989
Expenses before amortization	71,542	86,464
Amortization	436	640
Total Expenses	$ 71,978	$ 87,104

13. FINANCIAL INSTRUMENTS

Financial assets consist of cash and cash equivalents, accounts receivable, and investments. Financial liabilities consist of accounts payable and accrued liabilities.

Credit risk

The CTC is exposed to credit risk resulting from the possibility that parties may default on their financial obligations and from concentrations of third party financial obligations that have similar economic characteristics such that they could be similarly affected by changes in economic conditions. There is no concentration of credit risk with any one customer. Financial instruments that potentially expose the CTC to credit risk consist of cash and cash equivalents, portfolio investments and accounts receivable.

The CTC holds its cash and cash equivalents in bank accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

In March 2012, the CTC received $1.0 million from Treasury Board Secretariat relating to locally engaged staff pension benefits under the WWP (Note 8). CTC's policy is to invest these funds with well-established financial institutions in investments composed of low risk assets. Currently the CTC has invested these funds in Canadian Provincial Governmental bonds as well as a money market term deposit (Note 4 and Note 5). All investments are monitored by management on a monthly basis.

At December 31, 2013, the exposure to credit risk for cash and cash equivalents is $11,917,546 ($11,675,331 – 2012) (Note 4) and for portfolio investments is $590,257 ($636,106 – 2012) (Note 5).

Accounts receivable credit risk is minimized by the fact that many of the partners that work with the CTC are federally, provincially or municipally funded. The CTC measures its exposure to credit risk

based on how long the amounts have been outstanding. An impairment allowance is set up based on the CTC's historical experience regarding collections. At December 31, 2013 the impairment allowance was $0 ($5,292 – 2012). The amounts outstanding at year end were as follows:

(000s)

Accounts Receivable	Total	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> 120 days
Partnership contributions	$ 768	$ 463	$ 242	$ 7	$ 10	$ 36	$ 10
Government of Canada	474	274	200	-	-	-	-
Other	48	-	-	-	-	-	48
Total	$ 1,290	$ 737	$ 442	$ 7	$ 10	$ 36	$ 58

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the CTC will not be able to meet all cash outflow obligations as they come due. To mitigate this risk, the CTC monitors cash activities and expected outflows through monthly and quarterly budget and forecast analysis. In addition, investments are maintained in assets that may be converted to cash in the near term if unexpected cash outflows arise. The maturities of the financial liabilities at year end are as follows:

(000s)

Accounts Payable	Total	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> 120 days
Trade	$ 5,160	$ 4,430	$ 720	$ 10	$ -	$ -	$ -
Employee compensation	1,787	1,787	-	-	-	-	-
Total	$ 6,947	$ 6,217	$ 720	$ 10	$ -	$ -	$ -

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

Currency risk arises due to the fact that the CTC operates in several different currencies and translates non-Canadian revenue and expenses to Canadian dollars at different points in time. The CTC does not hedge against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations. At December 31, 2013, the exposure to currency risk for financial assets is $1,673,000 ($3,389,000 – 2012) and for financial liabilities is $2,439,000 ($3,985,000 – 2012) (Note 6).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The CTC is exposed to this risk through its interest bearing portfolio investment balances. The CTC does not hedge against fluctuations in market interest rates and accepts the operational and financial risks associated with any such fluctuations. A variation of 1% in the interest rate would not have a material impact on the financial statements.

At December 31, 2013, the exposure to interest rate risk for portfolio investments is $590,257 ($636,106 – 2012).

14. COMMITMENTS

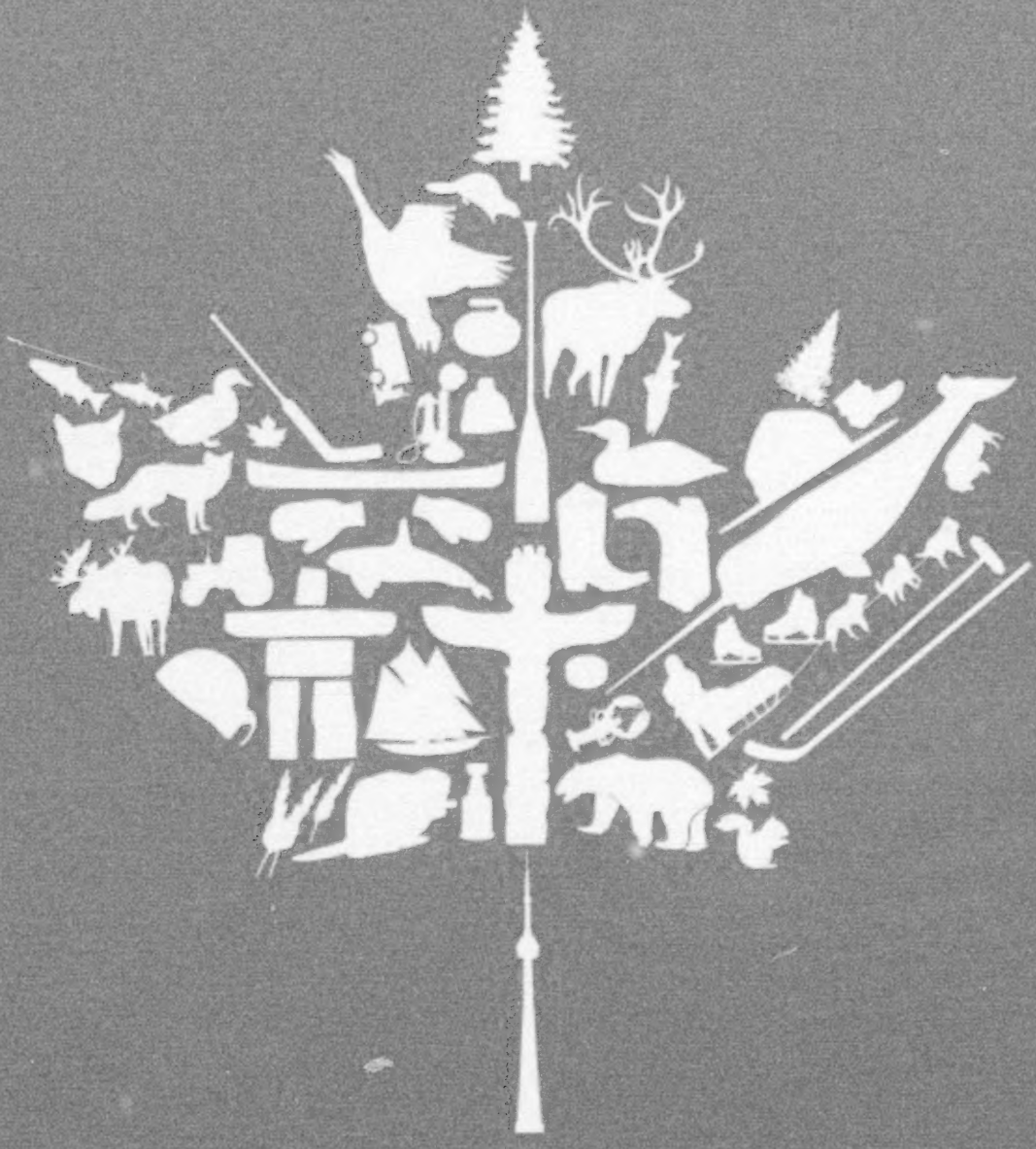
The CTC has entered into various agreements for marketing and consultino services and leases for office premises and equipment in Canada and abroad. The total commitments of the CTC as at December 31, 2013 are $40.2 million ($33.7 million - 2012).

(000s)

	2014	2015	2016	2017	2018		Total
$	22,897	11,945	4,092	1,247	34	$	40,215

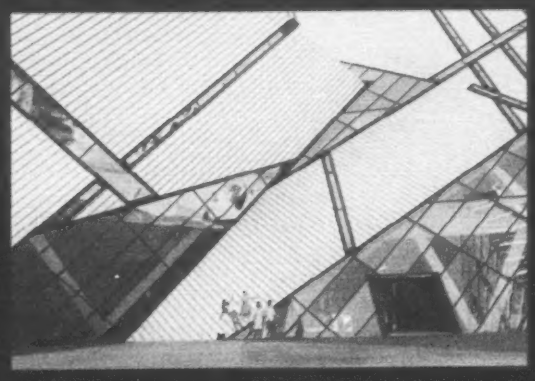
15. CONTINGENCIES

In the normal course of business, various claims and lawsuits have been brought against the CTC. Where in the opinion of management, losses, which may result from the settlement of the matters, are determinable within a reasonable range and such losses were considered by management as likely to be incurred, they would be charged to expenses. In the event management concludes that potential losses are indeterminable, no provision has been recognized in the accounts of the CTC. Due to the confidential and sensitive nature of the claims and lawsuits, the CTC cannot disclose any information regarding the potential losses.



In 2013, the CTC commissioned a new social-media maple-leaf avatar, designed by Vancouver designer Carson Ting (aka Chairman Ting). The Canadian maple-leaf graphic is made up of 63 icons, all symbols of Canada. As part of 2013's Canada Day celebrations in Vancouver, BC, Chairman Ting created a giant mural of the avatar on a wall at Canada Place. Photos and video captured the work – which took 12 hours from start to finish – and those digital assets were widely shared by spectators on social networks with the #canadamural hashtag. The "making of" video, included above, was created and posted on CTC's YouTube channel. It has received more than 10,000 views.

- ✓ 8,927 social media clicks
- ✓ 6,730 downloads in 9 countries
- ✓ 4,536 shares on Facebook



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